



**POKARNA LIMITED**



*“There are no secrets to success. It is the result of preparation, hard work and learning from failure.”*

*– Colin Powell*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Gautam Chand Jain  
**Chairman & Managing Director**

Mr. Rahul Jain  
**Executive Director**

### Non-Executive Directors

Mr. Prakash Chand Jain

Mr. Meka Yugandhar

Mr. Thati V. Chowdary

Mr. Vinayak Rao Juvvadi

Mr. Mahender Chand Chordia

Mr. Dhanji Lakhamshi Sawla

### COMPANY SECRETARY

Mr. Chinmoy Patnaik

### REGISTERED & CORPORATE OFFICE

105, First Floor, Surya Towers, Sardar Patel Road,  
Secunderabad-500 003, Andhra Pradesh, India.

Tel: 91-40-27842182, 27844101, 66266777,  
66310111/222, Fax: 91-40-27842121.

Email: [contact@pokarna.com](mailto:contact@pokarna.com)

Website: [www.pokarna.com](http://www.pokarna.com), [www.stanzaworld.com](http://www.stanzaworld.com)

### STATUTORY AUDITORS

M/s. S. Daga & Co., Chartered Accountants,  
Hyderabad.

### BANKERS

Union Bank of India, Khairatabad, Hyderabad.

### FACTORIES

Survey No.123, Toopranpet (Village),  
Choutuppal (Mandal), Nalgonda (District),  
Andhra Pradesh.

Survey No. 563, 568 & 574,  
Aliabad Village, Shameerpet (Mandal),  
R.R. District, Andhra Pradesh.

Survey No. 33, 39, 50, 51, 55, 68 & 69,  
Apparels Export Park, Gundla Pochampally Village,  
Medchal Mandal, R. R. District, Andhra Pradesh.

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty-first Annual General Meeting of the company will be held on **Saturday, the 15<sup>th</sup> day of September, 2012 at Awasa Hotels, Plot no.15, 24, 25, &26, Survey, No.64, Sector-1, Huda Techno Enclave, Madhapur, Hyderabad – 500 081 at 10:30 AM** to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss of the company for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Prakash Chand Jain, who retires by rotation and, being eligible, offers him for reappointment.
3. To appoint a Director in place of Mr. Vinayak Rao Juvvadi, who retires by rotation and, being eligible, offers him for reappointment.
4. To reappoint M/s. S. Daga & Co., (Registration No. 000669S), Chartered Accountants, Hyderabad as Statutory Auditors of the company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

5. To reappoint Mr. Rahul Jain as a Whole Time Director designated as Executive Director and in this regard consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (‘the Act’), and, subject to such other approvals including approval from the Central Government, as may be required, approval is hereby accorded to the reappointment Mr. Rahul Jain as the Executive Director of the company for a period of five (5) years effective from 31<sup>st</sup> July, 2012 on the terms and conditions, including the remuneration, as set forth in the Explanatory Statement annexed to the notice calling this meeting, with liberty to the Board of Directors (hereinafter referred to as ‘the Board’ which term shall be deemed to include any committee of the Board constituted to exercise its powers, including the powers conferred by this resolution) to alter and/ or vary the terms and conditions of the reappointment in such manner as may be agreed to between the Board and Mr. Rahul Jain;

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to enforce the resolution.

By order of the Board of Directors

**Chinmoy Patnaik**  
Deputy General Manager – Legal  
& Company Secretary

11<sup>th</sup> August, 2012  
Registered Office:  
105, First Floor,  
Surya Towers, S.P. Road,  
Secunderabad – 500 003.

## NOTES :

1. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolution set out under item no. 5 is appended below.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY TO BE EFFECTIVE SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to mention their Folio Number in the attendance slip for attending the meeting.
4. Corporate members intending to send their authorized representatives are requested to furnish a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members are requested to notify change, if any, in their address to the Registrar and Share Transfer Agent, namely, M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agents, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad 500 081. All communications regarding shares are to be addressed to our Registrar and Share Transfer Agent at their address.
7. Members whose shareholding is in the electronic mode are requested to direct change of address notifications to their respective Depository Participants.
8. According to provisions of sub section (5) of Section 205A of the Companies Act, 1956, dividend which remain unclaimed for a period of Seven (7) years is required to be transferred by the company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend and last date for uploading information thereon on the MCA website are given below;

Financial year	Date of declaration	Last date for uploading information on MCA website
2004 - 05	26.09.2005	25.09.2012
2005 - 06	29.09.2006	28.09.2013
2006 - 07	28.09.2007	27.09.2014
2007 - 08	24.09.2008	23.09.2015

Shareholders, who have not so far encashed the Dividend Warrant(s), are requested to seek issue of duplicate Dividend Warrant(s) by writing to the company's Registrar & Transfer Agent, M/s Karvy Computershare Private Limited immediately. Shareholders are requested to note that no claims lie against the company in respect of any amounts which remain unclaimed and unpaid beyond seven years from the date they first became due for payment and no payment shall be made by the company in respect of any such claims.

9. Consequent upon introduction of Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in Physical Form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2 B in duplicate to M/s Karvy Computershare Private Limited (Forms shall be made available on request).
10. Any member desirous of obtaining any information on the accounts or operations of the company is requested to forward his / her queries to the company addressed to the Registered Office at 105, First floor, Surya Towers, Sardar Patel Road, Secunderabad - 500 003 for the attention of Mr. Chinmoy Patnaik, Deputy General Manager - Legal & Company Secretary, at least 7 days prior to the date of the meeting.
11. Copies of the Annual Report will not be distributed at the Annual General Meeting.

12. The Register of Members and Share Transfer books of the company will remain closed from 11<sup>th</sup> to 15<sup>th</sup> September, 2012 (both days inclusive).
13. The Register of Directors' Shareholdings shall be open for inspection to any member of the company during the period beginning 14 days before the date of Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the meeting.
14. Following is bio-graphical data of the Directors seeking re-appointment.

Name of the Director	Mr. Prakash Chand Jain	Mr. Vinayak Rao Juvvadi	Mr. Rahul Jain
Date of Birth	27th July, 1959	05th September, 1959	09-11-1979
Date of Appointment	09-10-1991	29-01-2003	17-09-01
Expertise in specific functional areas	General Management	General Management, Finance and Strategies	Marketing, Corporate Planning, General Corporate Management and Information Technology.
Qualifications	Bachelor in Commerce	<ul style="list-style-type: none"> <li>• Masters in Applied Chemistry.</li> <li>• Masters in Computer Science from IIT, Chicago.</li> <li>• MBA from Kellogg's School of Management, Northwestern University, Chicago.</li> </ul>	Graduate from University of Michigan, Ann Arbor, USA.
Directorship held in other companies as on 31 <sup>st</sup> March, 2012 (excluding foreign companies and private limited companies)	3	1	2
Chairmanship/ Membership of Committees (across all public limited Companies)	Member of Remuneration Committee of the company.	Member of Audit Committee of the company	Member of Shareholders Committee of the company.
No. of shares held in the Company as on 31st March, 2012	500000	Nil	100000

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### Item No. 5

##### (A) Information about Mr. Rahul Jain :

###### Bio graphical data

Mr. Rahul Jain is a Graduate from University of Michigan, Ann Arbor, USA. He has experience in Marketing, Corporate Planning, General Corporate Management and Information & Technology. He has been spearheading the apparel business of the company since its inception. With a drive for creating brand, Mr. Rahul Jain was instrumental in the successful launching of apparel retailing venture of the company and in creating the brand STANZA.

Mr. Rahul Jain has over 13 years of experience in the field of industry, business and corporate management.

###### Awards

Under the leadership of Mr. Rahul Jain, STANZA was conferred the “Best Brand” award by Bharati Vidyapeeth Institute of Management studies held at the 2nd FMCG Consumers Award and “Brand Excellence Award” by Indira group of Institutes.

###### Job profile and his suitability:

Mr. Rahul Jain is predominantly involved in spearheading and establishing the apparel division of the company, namely, STANZA as a brand in the men’s readymade garments industry. He is the strategist and leads the marketing and long term development activities of the division. Mr. Rahul Jain as Executive Director is vested with substantial powers of management and is expected to function under the superintendence, control and direction of the Board of Directors and the Chairman & Managing Director of the company.

Mr. Rahul Jain is a member of the Shareholders Committee of the Board. The other Directorships of Mr. Rahul Chand Jain are as follows:

Serial No.	Name of the Company
1	Pokarna Fashions Limited
2	Pokarna Engineered Stone Limited

##### (B) Mr. Rahul Jain’s previous appointment/ reappointment in the company:

- (i) Appointment of Mr. Rahul Jain as Executive Director of the company at Annual General Meeting held on 30<sup>th</sup> September, 2004:

Mr. Rahul Jain was initially appointed as the Executive Director of the company for a period of 5 years with effect from 30<sup>th</sup> July, 2004. He was paid remuneration as provided hereunder during the period of five (5) years effective from 30<sup>th</sup> July 2004:

Basic Salary of ₹. 75,000 per month.

He was also entitled to:

- participate in the Provident Fund and Gratuity Fund scheme for the employees of the company.
- facility of use of a Motor Car of the company in connection with Business of the company and all the expenses for the maintenance and running of the Motor Car including salary of the driver will be borne and paid by the company.
- reimbursement on annual basis of actual traveling expenses incurred by Him, His wife and dependent children while proceeding on leave any place in India or any other place outside India and returning to the place of posting.
- reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonably incurred by Him in connection with the business of the company.
- reimbursement of actual medical and hospital expenses which have been incurred by on himself, his wife and dependant children, provided that such expenses shall not exceed ₹. 3 Lacs for each year or ₹. 9 Lacs for a Block of Three years.
- perquisite in the form of reimbursement or allowance on actual basis of the charges incurred at his residence.

(ii) Remuneration revised at Annual General Meeting held on 29<sup>th</sup> September, 2006:

Mr. Rahul Jain's remuneration stood revised at the Annual General Meeting held on 29<sup>th</sup> September, 2006 as follows:

Basic Salary up to a maximum of ₹.1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on certain performance criteria to be prescribed by the Board.

Mr. Rahul Jain was paid the following remuneration during the period of three years as mentioned herein below:

Financial Year	Remuneration ( ₹. In Lacs)
2006-2007	18.09
2007-2008	13.57
2008-2009	12.06

(iii) Mr. Rahul Jain reappointment as Executive Director of the company at the Annual General Meeting held on 23<sup>rd</sup> September, 2009.

Mr. Rahul Jain was reappointed as the Executive Director of the company for another term of three (3) years effective from 30<sup>th</sup> July, 2009 with the following remuneration as approved at the Eighteenth Annual General Meeting of the company held on 23<sup>rd</sup> September, 2009.

Remuneration: Basic Salary upto a maximum of ₹. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on performance criteria to be prescribed by the Board from time to time.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Rahul Jain, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration, as specified above. The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

However, owing to no profits or inadequate profits of the company during the relevant years, Mr. Rahul Jain was paid remuneration as follows in the preceding three financial years pursuant to Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act:

Financial Year	Remuneration ( ₹. In Lacs)
2009-2010	12.09
2010-2011	12.09
2011-2012	12.09

### (C) Remuneration

The consent of the shareholders is presently sought to the payment of remuneration (No increase sought from earlier shareholders approval) as set out herein below,

#### **Remuneration:**

Basic Salary upto a maximum of ₹. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on performance criteria to be prescribed by the Board from time to time.

**Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, where in any financial year during the tenure of Mr. Rahul Jain, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration as specified above. The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

**(D) Other Information**

Mr. Rahul Jain belongs to the promoter group and holds 1,00,000 Equity Shares of the company representing 1.61 % of the total capital of the company. Jain Family Promoters together hold 56.67 % of the total capital of the Company. Mr Gautam Chand Jain, Chairman & Managing Director of the company is the father of Mr. Rahul Jain.

Mr. Rahul Jain tenure as Executive Director of the company expired on 30<sup>th</sup> of July, 2012. Subject to the shareholders' and other approvals, Mr. Rahul Jain has been reappointed as the Executive Director of the company effective from 31<sup>st</sup> July, 2012 for another period of Five (5) years by the Board of Directors of the company pursuant to the recommendation of the Remuneration Committee of the Board. His reappointed is proposed in this Notice convening the Annual General Meeting.

Mr. Rahul Jain and Mr. Gautam Chand Jain are concerned or interested in this resolution and the payment of remuneration.

The Notice together with the Explanatory Statement may be treated as an abstract of the Memorandum of Interest under Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of the resolution proposed at Item No. 5 in the Notice.

By order of the Board of Directors

**Chinmoy Patnaik**

Deputy General Manager – Legal  
& Company Secretary

11<sup>th</sup> August, 2012  
Registered Office:  
105, First Floor,  
Surya Towers, S P Road,  
Secunderabad - 500 003.

## D I R E C T O R S ' R E P O R T

Dear shareholders,

Your Directors are pleased to present the Twenty-first Annual Report and the audited annual accounts of your company for the financial year ended 31st March, 2012.

### FINANCIAL RESULTS

(Rupees in Lacs)

Particulars	Standalone		Consolidated	
	2011-2012	2010-2011	2011-2012	2010-2011
Total Income	14294.12	13702.67	18433.01	16842.21
Less-Expenditure	14144.18	13597.51	21477.86	19018.60
Profit/(Loss) Before Tax	149.94	105.16	(3044.85)	(2176.39)
Provision for Taxation	48.74	(23.28)	48.80	(23.28)
Net Balance of Profit	101.20	128.44	(3093.65)	(2153.11)
Balance of Profit brought forward	2630.51	3538.29	(636.55)	2552.78
Appropriation				
FCCBs Redemption Reserve	1843.57	1036.22	1843.57	1036.22
Balance Carried to Balance Sheet	888.14	2630.51	(5573.77)	(636.55)

The total income of your company for the financial year 2011 – 2012 stood at ₹.14294.12 Lacs as compared to previous year's total income of ₹.13702.67 Lacs registering a marginal growth of 4.32 percent. However, the Net Profits for the financial year under report dipped to ₹.101.20 Lacs as compared to ₹. 128.44 Lacs in the previous year. The Granite division of your company continued to suffer on account of the prevailing recession while the textile and apparel industry continued to undergo another rough year with increasing cost of raw materials. The bottom-line of this business division of your company continued to be severely affected due to lower capacity utilisation at manufacturing, price rationalization and higher discounting at the apparel retailing.

### SUBSIDIARY & CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the General Circular no. 2/ 2011 issued by the Ministry of Corporate Affairs, Government of India, the provisions of Section 212 of the Companies Act, 1956, shall not apply in relation to Pokarna Engineered Stone Limited, wholly owned subsidiary company, in view of your company meeting to all the requirements mentioned in the said circular. The consolidated financial statements of the holding and the subsidiary companies have been prepared in strict compliance with applicable Accounting Standards and the Listing Agreement, which are duly audited by the statutory auditors and form part of this Annual Report. The audited annual accounts and related detailed information of Pokarna Engineered Stone Limited, wholly owned subsidiary company, shall be made available at any point of time to the shareholders of the company, on request,. Further, your company shall furnish hard copies of the details of the accounts of Pokarna Engineered Stone Limited as and when requested. The audited annual accounts shall be kept open at the head offices (i.e. Registered offices) of both companies for inspection by any shareholder of either companies.

### FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

The FCCBs have become due for redemption on 29<sup>th</sup> March, 2012 and thus, the redemption premium of ₹. 2731.14 Lacs has become payable along with principal amount of ₹. 6138.78 Lacs. However, the FCCBs have not been redeemed by the company on the due date due to financial constraints. The management is in constant discussion with the FCCB Holders for restructuring of the FCCBs and they were offered various options. However, the negotiation has not yielded any result as on the date of the report. The company has provided for these liabilities in its Books of account. Further, due to the redemption default, there will be a default interest payable on the overdue sum at the rate of 7.5 percent per annum from the due date of redemption. No provision for default interest has been made in the Books of account.

### AUDITORS' OBSERVATIONS

The Auditors without qualifying their report have made certain observations. Such observations are self explanatory and therefore, do not call for any further comments or explanation.

## **DIVIDEND**

The Board of Directors of your company has decided not to recommend dividend for the financial year 2011 -2012.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- such accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the annual accounts are prepared on a going concern basis.

## **AUDIT COMMITTEE**

In terms of the requirement of clause 49 of the Listing Agreement with the Bombay Stock Exchange and Section 292A of the Companies Act, 1956, your company has constituted Audit Committee. The composition of the committee & other details are given in the Corporate Governance Report which forms part of this Annual Report.

## **CORPORATE GOVERNANCE**

Your company is committed to maintain the highest standards of Corporate Governance. As required under Clause 49 of the Listing Agreement with the Stock Exchange, a report on Corporate Governance as well as Auditors Certificate on the compliance of conditions on Corporate Governance are annexed and form part of this Annual Report. With a view to strengthen the Corporate Governance framework, the Ministry of Corporate Affairs has issued a set of Voluntary Guidelines in December 2009 for adoption by companies. Your company is already complying with various requirements of the guidelines and further, will review its Corporate Governance parameters in the context of the recommendations under the Guidelines for appropriate action.

All board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2011-12. A declaration to this effect signed by the Chairman & Managing Director (CEO) of your company is annexed to this Annual Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A separate section titled 'Management's Discussion and Analysis Report' forms part of this Annual Report.

## **AUDITORS**

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to audit the accounts of the company for the financial year 2012-13. As required under the provisions of Section 224 of the Companies Act, 1956, your company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Members are requested to reappoint auditors for the period from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

## **DIRECTORS**

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 Mr. Prakash Chand Jain & Mr. Vinayak Rao Juvvadi, Directors of your company, shall retire at the ensuing Annual General meeting and, being eligible, offer themselves for re-appointment. The term of Mr. Rahul Jain, Executive Director of your company expired on 30<sup>th</sup> July, 2012. His reappointment as Executive Director on the Board and the reappointment of the retiring Directors are proposed in the notice convening the Twenty First Annual General Meeting of the company.

## **PARTICULARS OF EMPLOYEES**

None of the employees of the company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended till date during the year under report.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Disclosure under “Form A” pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable to the company.

Company’s quarrying operations, granite processing plants and apparel manufacturing plants are designed to achieve higher efficiency in utilizing energy. The key areas with regard to reduction of energy have been identified and necessary steps are taken to minimize the use and conservation of energy . Company has no specific research & development department.

### **FORM B**

(Disclosure of particulars with respect to technology absorption)

#### **Research and Development (R & D)**

1. Specific areas in which R & D carried out by the company — Not applicable having regard to the nature of the industry.
2. Benefits derived as a result of the above R&D — Not applicable.
3. Future plan of action — Not applicable.
4. Expenditure on R & D:
  - (a) Capital - Nil
  - (b) Recurring - Nil
  - (c) Total - Nil
  - (d) Total R&D expenditure as a percentage of total turnover — Nil

Company maintains a high level of information flow with various companies. Through visits of executives to developed countries, your company keeps abreast with the advanced technological developments and, through specific programmes introduces, adopts and implements them. This has resulted in higher production, accuracy and perfection in excavation of rough granite blocks, processing of random granite slabs and tiles and manufacturing of apparel.

Your company generally exports granite to countries like Australia, Belgium, Canada, China, Croatia, France, Germany, Greece, Hong Kong, Israel, Italy Korea, Libya Mexico, Netherlands, Norway, Panama, Poland, Qatar, Russia, Saudi Arabia, Pain, St. Lucia, Switzerland, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Venezuela, Vietnam, Columbia, Slovenia.

Your company is continuously exploring possibilities of exporting new markets.

During the year under review, the total standalone foreign exchange earnings and expenditure of your company was ₹.8133.74 Lacs and ₹. 131.45 Lacs, respectively.

#### **ACKNOWLEDGEMENTS**

Your Directors express their appreciation of the support, trust and co-operation received from the banks, Government authorities, customers, suppliers, shareholders and other stakeholders during the year under review. The Board is also very thankful to the holders of Foreign Currency Convertible Bonds for their support.

Your Directors acknowledge with gratitude the commitment and dedication of the employees at all levels, which has contributed to the growth and success of the company.

Your Directors look forward to the continued support from all of you in the years to come.

For and on behalf of the Board

Place : Secunderabad  
Date : 11<sup>th</sup> August, 2012

**Gautam Chand Jain**  
Chairman & Managing Director

# MANAGEMENT DISCUSSION AND ANALYSIS



## 1. INDUSTRY STRUCTURE AND DEVELOPMENT

### **Granite**

“The language of stone surpasses the language of man” –: Rabindranath Tagore

India is a treasure of stones having a wide range of dimensional stones. It is one of the largest producer and consumer of stones. The quality of the stone deposits in India is amazing and they are known for their strength, vibrancy and meet to the highest international standards. The quarrying and manufacturing processes in India have advanced exponentially and can now be compared to any best international standards in the world. The stone industry has evolved manifold in recent times. The industry has carved a niche in the world stone market with large exports.

The massive growth and future prospects of the industry attracted many to venture into the stone industry, making it highly competitive. Presently, your company is competing not only with other stone businesses like marble, limestone, travertine and other natural stones but also with manufacturers of other similar stone products like engineered stone, building materials like solid surface, laminate, concrete, aluminum, glass, wood and other materials. Competition is from the perspective of price, supply, availability, end-user preference and other factors.

Further, the present down turn in the global economic scenario has posed uncertainties to the industry. Though recovery signs were witnessed in the US during the financial year 2011 – 2012, apprehensions still exist on the full recovery of the market. The global economy was stabilizing but is much below the expectation of the industry. The European economic crisis has been three years in the making, and its outcome is uncertain. Crushed by debt and distressed banks, countries like Greece, Spain, and Ireland face ongoing recessions, while Germany and the Netherlands along with members of the International Monetary Fund push for austerity measures. There's more than enough reason for concern. The economy of the European Union, which holds the 17 nations that use the euro currency and 10 others, is a larger economic block than the United States or China. Under the scenario it impossible to determine with certainty as to when the markets would improve. Adding to these owes, the state of Andhra Pradesh is experiencing acute power crisis which has impacted all industries. Your company has presently engaged itself in revamping & strengthening its production facilities and quarrying and other operations, adopted and deployed series of measures to reduce costs and improve upon efficiency from all angles to mitigate the current recessionary & critical conditions and to exploit the benefits when the markets improve.

### **Apparel**

The apparel & textile industry occupies a unique position in our country. Being the major foreign exchange earner and is the second most important sector only after agriculture, it has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of processing. It is a major contributor to the country's economy.

However, the textile and apparel industry continues to undergo another rough year coupled with the increasing and fluctuating prices of raw materials. The State Government is making all efforts through various initiatives to improve the industry, which is expected to continue to grow at a significant pace in the future, as it is propelled by strong domestic consumption. Apparel industry has been on recovery path and the growth numbers are improving with better economic conditions and higher consumer discretionary spends. Industry is reassessing its position and looking for expansion. Growth in US and Europe continues to be stagnant and the global brands are expanding outside their home markets into emerging markets like India and China.

The bottom-line of this business division of your company continues to be severely affected due to lower capacity utilisation at manufacturing, price rationalization and higher discounting at the apparel retailing (STANZA brand) part of the business.

## 2. OPPORTUNITIES AND THREATS

Your company's business may be subject to other opportunities and threats apart from the following:

### Granite – Opportunities

- Growing demand from domestic and other developing markets like Israel, Libya, etc.
- Increased usage in different applications.

### Apparel – Opportunities

- growth in the number and spending power of middle-class consumers in emerging markets like China and India;
- use of technology and the internet to make sourcing a truly global activity.
- Large and growing rural domestic demand.
- Increasing presence of International Players would drive efficiencies for domestic players.

### Granite – Threats

- Frequent power disruptions and consequently, increased dependency on other costly means of power sourcing affects the cost of production.
- Under utilisation of capacity.

### Apparel – Threats

- Stiff competition from other countries like China, Bangladesh, Vietnam and Turkey is posing serious threats to the industry.
- Rising rental and store management expenses.
- Rising ecological and social awareness is likely to result in increased pressure on the industry to follow international labor and environmental laws.
- Cash flow from apparel business has been negative in the past due to lower capacity utilisation, huge inventory buildup, higher store rental and store management expenses and failure to manage the business in entirety could pose serious conundrum going ahead.

## 3. SEGMENT WISE PERFORMANCE

At present, company operates in two segments namely, Granite and Apparel. The financials for the said divisions of the company are as under.

(Rupees in Lacs)

S No	Particulars	For the year ended	
		31.03.2012	31.03.2011
<b>1</b>	<b>Segment Revenue</b>		
a)	Granites	11050.62	11411.11
b)	Apparel	2935.00	2136.94
	Net Sales/Income from Operations	13985.62	13548.05
<b>2</b>	<b>Segment Results Profit (+) / Loss (-) before tax and interest from each segment.</b>		
a)	Granites	1357.14	1288.27
b)	Apparel	(253.35)	(319.06)
	Total	1103.79	969.21
	Less : i) Interest	953.85	864.05
	Total Segments Profit Before Tax	149.94	105.16
<b>3</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>		
a)	Granites	10124.76	8801.59
b)	Apparel	(1422.13)	(980.95)
	Unallocable assets less liabilities	(22.90)	757.88
	Total	8679.73	8578.52

#### 4. OUTLOOK

##### **Granite**

The stone industry is sensitive to changes in general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The current downturn in the U.S. and global economies, along with the residential and commercial markets in such economies, has negatively impacted the industry and the company's business, as well. These difficult economic conditions are expected to continue or may improve in due course. Notwithstanding the economic recession, the stone industry globally is growing and strengthening its business in many countries, including India.

##### **Apparel**

Your company is embarking on cost efficiencies in apparel retailing (STANZA brand) by undertaking many measures like shutting down economically unviable stores, better inventory management and reducing overheads. New store launching will be re-aligned to match demand potential.

Value buying by consumers, sharp increase in raw material prices, continued weakness in global markets, higher domestic inflation, fiscal tightening, imposition of mandatory levy of tax on textiles and interest rates are some of the challenges facing by the Textile Industry at large. Market dynamics in the form of fierce competition, demand, production and selling efficiencies, and pricing would be the key drivers of success in days to come.

#### 5. RISKS AND CONCERNS

Your company operates in a business environment characterized by increasing globalization and intensifying competition. As a result, risk is integral to its business and is managed by your company by regular monitoring. Investors are requested to exercise their own judgment in assessing various risks associated with the industry and the company. The management cautions that the risks outlined hereunder are not exhaustive and are indicative only:

- The company faces intense competition in the dimension stone, which could decrease demand for the company's products or force it to lower prices, which could have a material adverse effect on the company's profitability.
- The company may not be able to obtain raw materials on a timely basis, which could have a material adverse effect on the company's business.
- Fluctuations in currency exchange rates may impact the company's financial condition and results of operations and may affect the comparability of results between the company's financial periods.
- Some countries may impose anti outsourcing restrictions should the growth of exports from any geography exceed certain acceptable limits. Such restrictions can adversely impact growth of your company.
- Skilled personnel in apparel industry are rarely available.
- For STANZA retail Shops, the company has to compete with other branded apparel retailers to book locations on a continuous basis. If we are not able to book/find the locations at right rent, time and place, the same may have a material adverse impact on our results of operation.
- Manufacturing and sale of apparel requires forecasting of future demand and fashion trends. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. Also Apparel retailing in India is highly working capital intensive primarily because of high inventory levels.
- Staff attrition and non-availability of key personnel affect the company's operations. Volatility in the prices of critical raw materials also impact profitability.
- Demand is dependent on general economic conditions. A downturn can adversely affect the company's business and earnings.
- The company has significant indebtedness and a failure to generate adequate cash flow could risk in servicing its obligations and may place it at a competitive disadvantage and limit its ability to pursue business.
- Uncertainty in the credit markets, downturns in the global economy and the company's business could affect the overall availability and cost of credit.

- The company's existing debt-equity ratio may constrain its ability to raise additional funds for future capex-oriented initiatives.

## **6. INTERNAL CONTROL SYSTEMS AND ADEQUACY**

Governance, Risk Management and Compliance processes form an integral part of the company's planning and review mechanism. The company's risk management framework establishes risk management processes at each business, helping in identifying, assessing and mitigating risks that could materially impact the company's performance in achieving its objectives. The risk management framework ensures compliance with the requirements of clause 49 of listing agreement.

The company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilisation of resources, and effective monitoring thereof and compliance with all applicable laws.

## **7. FINANCIAL PERFORMANCE OF THE COMPANY / OPERATIONS**

The total income of your company for the financial year 2011 – 2012 stood at ₹.14294.12 Lacs as compared to previous year's total income of ₹.13702.67 Lacs registering a marginal growth of 4.32 percent. However, the Net Profits for the financial year under report dipped to ₹.101.20 Lacs as compared to ₹. 128.44 Lacs in the previous year. The Granite division of your company continued to suffer on account of the prevailing recession while the textile and apparel industry continued to undergo another rough year with increasing cost of raw materials.

## **8. HUMAN RESOURCES**

Your company recognizes the value addition of its employees and their contribution to the growth and development of the company. In turn, the company is committed to train and develop its people and motivate them. Industrial relations have been cordial and mutually beneficial.

## **9. CAUTIONARY STATEMENT**

Certain statements in this report may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

Important factors that could make a difference to your company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which your company operates, changes in the Government regulations, tax laws, statutes and other incidental factors. Your company will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

## CORPORATE GOVERNANCE REPORT

### I. COMPANY'S PHILOSOPHY

Pokarna defines Corporate Governance as the system that allocates duties and authority among the Board of Directors. The result of good Corporate Governance is intended to be a well system run, efficient company that identifies and deals with its problems in a timely manner, creates value for its shareowners, and meets its legal and ethical responsibilities.

Our commitment to strong, responsible corporate governance embarks on our Board of Directors. Each Board member is essentially concerned to preserve the integrity that has characterized the company.

We take the subject of corporate governance very seriously from the boardroom to the manufacturing floor. Integrity has always been one of our values; it is the foundation of our reputation and one of our most precious assets. We govern ourselves with a rigorous system of checks and balances to ensure utmost compliance to fair and honest business practices. This ensures that our integrity is never compromised.

We believe that the integrity of any company must come from a leadership committed to behavior that is honest, decent and fair and from Directors and employees who share that commitment and bring it to life at all levels of the organization. That's exactly what we do at Pokarna.

### II. BOARD OF DIRECTORS

#### Composition of Board

The names of the Directors, their Directorship and Board committee(s) membership in other companies as on 31<sup>st</sup> March, 2012 together with their attendance for the year under report are given below:

Name	Category	Board meeting attendance	Attendance at the last AGM	No. of other Directorships[**]	Committee positions held across all companies (Member / Chairman) [*]
Mr. Gautam Chand Jain	Chairman & Managing Director	5	Present	5	NIL
Mr. Rahul Jain	Executive Director	3	Absent	2	1
Mr. Siddharth Jain (+)	Executive Director (up to 8 <sup>th</sup> August, 2011)	-	Ceased to be Director	NIL	NIL
Mr. Prakash Chand Jain	Non Executive & Non Independent	3	Present	3	NIL
Mr. Meka Yugandhar	Non Executive & Independent	5	Present	11	3 / 2
Mr. Thati V. Chowdary	Non Executive & Independent	4	Present	4	4 / 2
Mr. Vinayak Rao Juvvadi	Non Executive & Independent	5	Present	1	1
Mr. Mahender Chand Chordia	Non Executive & Independent	3	Present	1	1
Mr. Dhanji Sawla Lakhamsi	Non Executive & Independent	2	Absent	1	NIL

(+) Resigned from directorship effective from 8th August, 2011.

[\*] Chairmanship / membership in Audit and Shareholders Grievance Committees.

[\*\*] Excluding private, foreign and Section 25 companies.

## Board Meetings

Five meetings of the Board of Directors were held during the year on 27<sup>th</sup> May, 2011; 8<sup>th</sup> August, 2011; 12<sup>th</sup> November, 2011; 8<sup>th</sup> February, 2012 & 27<sup>th</sup> March, 2012.

Details of shares held by directors (as on 31<sup>st</sup> March, 2012)

Director	Number of shares held
Mr. Gautam Chand Jain	500000
Mr. Prakash Chand Jain	500000
Mr. Rahul Jain	100000

## Directors' compensation and disclosures

Sitting fees were paid to the Non-Executive Directors for attending each meeting of the Board. Other than that, no other component of remuneration was paid to Non-Executive Directors.

## Brief profile of the Directors being re-appointed

It is proposed to reappoint Mr. Rahul Jain as the Executive Director of the company effective from 31<sup>st</sup> July, 2012. Mr. Prakash Chand Jain and Mr. Vinayak Rao Juvvadi, retiring Directors by rotation are proposed to be reappointed as Directors, liable to retire by rotation. The proposals for reappointments are placed in the notice convening the ensuing Twenty First Annual General Meeting.

## Code of Conduct

The Board has approved a Code of Conduct for Board members and senior management personnel of the company. The Code of Conduct has been posted on the website of the company. All directors and senior management personnel have affirmed compliance with the Code of Conduct and submitted declarations in this behalf for the year ended 31<sup>st</sup> March, 2012. A declaration to the effect signed by the Chairman & Managing Director is given below:

### DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange, the Board members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for year ended 31<sup>st</sup> March, 2012.

Secunderabad  
11<sup>th</sup> August 2012

**Gautam Chand Jain**  
Chairman & Managing Director

## III. AUDIT COMMITTEE

### Brief description of the terms of reference

The terms of reference of the Audit Committee are extensive covering the mandatory requirements under Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956. The Audit Committee of the company, inter alia, provides reassurance to the Board on the existence of an effective Internal Control environment that ensures:

- Efficiency and effectiveness of operations
- Safeguarding of company's assets and adequate provisioning for all liabilities
- Reliability of financial and other management information and adequacy of disclosures
- Compliance with all relevant statutes

Apart from overseeing and monitoring the financial reporting system within the company and considering un-audited / audited financial results for the relevant quarter, half-year and the year before being adopted by the Board, the Audit Committee focused its attention on several other important topics. The Audit Committee continued to advise the management on areas where greater internal audit focus was needed and on new areas to be taken up for audit purposes.

### **Composition**

Mr. Meka Yugandhar – Chairman

Mr. Thati V. Chowdary - Member

Mr. Vinayak Rao Juvvadi - Member

Mr. Mahender Chand Chordia - Member

The Chief Financial Officer, Statutory and Internal Auditors are invitees to the Committee. They regularly attend the meetings of the Committee. Senior Executives of the company are also invited to attend the meetings. The Company Secretary acts as the secretary to the Committee.

### **Meetings and attendance**

During the year under review, four Audit Committee meetings were held on 27<sup>th</sup> May, 2011; 8<sup>th</sup> August, 2011; 12<sup>th</sup> November, 2011 & 8<sup>th</sup> February, 2012.

<b>Member</b>	<b>Attendance during the year</b>
Meka Yugandhar	4
Mr. Thati V. Chowdary	3
Vinayak Rao Juvvadi	4
Mahender Chand Chordia	3

## **IV. REMUNERATION COMMITTEE**

### **Brief description of the terms of reference**

- To assess the performance of Chairman & Managing Director and the Executive Director(s) of the company;
- To determine and recommend to the Board compensation payable to Chairman & Managing Director and the Executive Director(s) of the company.

The Remuneration Committee of the company is constituted in accordance with the industry practices and in compliance with Schedule XIII of the Companies Act, 1956.

### **Composition**

Mr. Thati V. Chowdary - Chairman

Mr. Meka Yugandhar - Member

Mr. Mahender Chand Chordia - Member

Mr. Prakash Chand Jain - Member

### **Remuneration Policy**

The Remuneration Committee recommends to the Board, compensation of the Chairman & Managing and Executive Director(s) of the company keeping in view company's financial status, past performance & remuneration and future growth potential and the industry standards.

The remuneration of the Non-Executive Directors of the company is decided by the Board of Directors. The Non-Executive Directors are paid remuneration by way of commission and sitting fees. However, no commission was paid to the Non Executive Directors of the company for the financial year under report. Non Executive Directors do not claim any fees for the committee meetings.

The Remuneration Committee of the Board met twice on 12th and 29th May, 2011 during the financial year under report.

Details of remuneration paid to the Directors during the financial year ended 31st March, 2012 are mentioned hereunder:

(Rupees in Lacs)

Name	Designation	Salary	Perquisites & incentives	Sitting fees	Total
Mr. Gautam Chand Jain	Chairman & Managing Director	12.09	11.99	–	24.08
Mr. Rahul Jain	Executive Director	12.09	–	–	12.09
Mr. Siddharth Jain *	Executive Director	5.04	–	–	5.04
Mr. Prakash Chand Jain	Non Independent Director	–	–	0.12	0.12
Mr. Meka Yugandhar	Independent Director	–	–	0.24	0.24
Mr. Thati V. Chowdary	Independent Director	–	–	0.14	0.14
Mr. Vinayaka Rao Juvvadi	Independent Director	–	–	0.24	0.24
Mr. Mahender Chand Chordia	Independent Director	–	–	0.20	0.20
Mr. Dhanji Sawla Lakhamasi	Independent Director	–	–	0.12	0.12
<b>Total</b>		<b>29.22</b>	<b>11.99</b>	<b>1.06</b>	<b>42.27</b>
Previous year		36.27	11.69	0.46	48.42

(\*) Resigned from the office of Executive Director / Director effective from 8<sup>th</sup> August 2011.

Salary and perquisites include all elements of remuneration i.e. Salary, allowances & perquisites. No bonus, pension is paid to any of the Directors. Contribution to Gratuity Fund has been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity Fund has not been considered in the above computation.

The company does not have any stock option plan or performance linked incentive for the Executive Directors.

The appointments were made for a period of five years for Chairman & Managing Director and three years for the two Executive Directors of the company, on the terms and conditions mentioned in the relevant resolutions approved by the shareholders of the company in general meetings, which do not provide for severance fees. Mr. Siddharth Jain, has resigned from the office of Executive Director / Director of the company effective from 8<sup>th</sup> August, 2011.

## V. SHAREHOLDERS' COMMITTEE

### Brief description & the terms of reference

Attend and resolve investors' grievances / complaints pertaining to transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend, etc.

### Composition

Mr. Thati V. Chowdary - Chairman

Mr. Meka Yugandhar - Member

Mr. Rahul Jain - Member

The Shareholders Committee of the Board met twice on 15th April, 2011 and 15th September, 2011 during the year under report.

### Compliance Officer

Mr. Chinmoy Patnik, Deputy General Manager & Company Secretary is the Compliance Officer of the company. His address and contact details are given below:

Address : 105, First Floor, Surya Towers, S. P. Road, Secunderabad.

Phone : 040 -2789 7722 / 2789 6361 / 66266777

Fax : 040-2784 2121

E-mail : igr@pokarna.com

### Status of Investors complaints.

During the year total of One (1) complaint was received from investor and that was attended & resolved. There was no complaint outstanding as on 31<sup>st</sup> March, 2012.

## VI. GENERAL BODY MEETINGS

A detail on the preceding three Annual General Meetings of the company is provided below:

Financial Year	Date	Location	Time	No. of Special Resolutions passed in the AGM
2008-2009	23 <sup>rd</sup> September, 2009	Hotel Fortune Select Manohar, Begumpet, Hyderabad	10:30 AM	Four
2009 - 2010	21 <sup>st</sup> September, 2010	Hotel Fortune Select Manohar, Begumpet, Hyderabad	10:30 AM	None
2010 - 2011	12 <sup>th</sup> September, 2011	Hotel Fortune Select Manohar, Begumpet, Hyderabad	10:30 AM	Two

Two special resolutions were passed at the Annual General Meeting of the company held on 12<sup>th</sup> September, 2011 granting approval to, the remuneration of Chairman & Managing Director and the alteration of the articles of association of the company, no special resolution was passed in the preceding year through postal ballot and no such resolution is proposed at the impending Annual General meeting.

## VII. DISCLOSURES

1. Material transactions entered into with related parties have already been disclosed elsewhere in the report. No transaction of material has been entered into by the company with the Directors/management and their relatives etc. that have potential conflict with the interest of the company.
2. No penalties have been imposed and strictures passed on the company by the stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
3. The company does not have a Whistle Blower Policy in place but affirms that during the year 2011-12 no personnel has been denied access to the Audit Committee.
4. All the mandatory requirements stipulated in the Corporate Governance Code have been complied with during the year under report.

## VIII. MEANS OF COMMUNICATION

### Quarterly reports

The quarterly, annual results and other statutory reports of the company are communicated by disseminating the same to Bombay Stock Exchange. The company also publishes its financial results, normally, in Financial Express (Mumbai editions) and Andhra Prabha. In terms of clause 54 of the listing agreement, the company maintains functional website, namely, www.pokarna.com, containing basic information about the company like details of the business, financial information, shareholding pattern, compliance with Corporate Governance etc. and the same are kept updated at any point in time.

## IX. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting - 2012

**Date** : 15th September, 2012

**Time** : 10:30 A.M.

**Venue** : Awasa Hotels, Plot no.15, 24, 25, &26, Survey, No.64, Sector-1, Huda Techno Enclave, Madhapur, Hyderabad – 500 081.

Calendar for financial results for 2012 – 2013 (tentative & subject to change)

Unaudited / audited financial results for the quarter ending	Date
June 30, 2012	15 <sup>th</sup> August 2012
September 30, 2012	15 <sup>th</sup> November, 2012
December 31, 2012	15 <sup>th</sup> February, 2013
March 31, 2013	31 <sup>st</sup> May, 2013 (Audited results)

**Dates of Book Closure**

September 11th to 15th September, 2012 (Both days inclusive)

**Listing on Stock Exchange**

Name of the Stock Exchange	Address	Code
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001	532486

**Risk Management**

Business risk evaluation and management is an ongoing process within the company. The risks are identified and are discussed by the representatives from various functions. The Board and the Audit Committee provide oversight and review the risk management periodically.

**Subsidiary****Stock Market Data:**

The monthly high and low quotations and volume of shares traded on BSE during the year were as follows:

2011 – 2012	BSE			
	Share Price (₹)		SENSEX	
Month	High	Low	High	Low
April	118	94.2	19811.14	18976.19
May	115.2	97.5	19253.87	17786.13
June	115	99	18873.39	17314.38
July	112	100.6	19131.7	18131.86
August	105.25	93.5	18440.07	15765.53
September	101.9	93	17211.8	15801.01
October	100	90	17908.13	15745.43
November	93.65	85.6	17702.26	15478.69
December	93	78.15	17003.71	15135.86
January	88.65	80.3	17258.97	15358.02
February	92.4	80.65	18523.78	17061.55
March	133.9	75.55	18040.69	16920.61

**Share Transfer System**

Share transfers are processed and the shares certificates are returned to the shareholders within thirty days, subject to the documents are in order.

**Shareholding pattern as on 31<sup>st</sup> March, 2012**

S. No.	Category of Shareholder	No of Shareholders	Total number of Shares
(A)	PROMOTER AND PROMOTER GROUP		
(1)	INDIAN		
(a)	Individual /HUF	26	3513777
(b)	Central Government/State Government(s)	–	–
(c)	Bodies Corporate	–	–
(d)	Financial Institutions / Banks	–	–
(e)	Others	–	–
	Sub-Total A(1) :	26	3513777
(2)	FOREIGN		
(a)	Individuals (NRIs/Foreign Individuals)	–	–
(b)	Bodies Corporate	–	–
(c)	Institutions	–	–

S. No.	Category of Shareholder	No of Shareholders	Total number of Shares
(d)	Others	–	–
	Sub-Total A(2) :	–	–
	Total A=A(1)+A(2)	26	3513777
(B)	PUBLIC SHAREHOLDING		
(1)	INSTITUTIONS		
(a)	Mutual Funds /UTI	–	–
(b)	Financial Institutions /Banks	–	–
(c)	Central Government / State Government(s)	–	–
(d)	Venture Capital Funds	–	–
(e)	Insurance Companies	–	–
(f)	Foreign Institutional Investors	–	–
(g)	Foreign Venture Capital Investors	–	–
(h)	Others	–	–
	Sub-Total B(1) :	–	–
(2)	NON-INSTITUTIONS		
(a)	Bodies Corporate	74	461445
(b)	Individuals		
	(i) Individuals holding nominal share capital upto ₹.1 lakh	17640	846099
	(ii) Individuals holding nominal share capital in excess of ₹.1 lakh	28	1369557
(c)	Others		
	Non resident Indians	14	8758
	Clearing members	7	1164
	Sub-Total B(2)	1892	2687023
	Total B=B(1)+B(2)	1892	2687023
	Total (A+B)	1918	6200800
(C)	Shares held by custodians, against which		
	Depository Receipts have been issued	–	–
	GRAND TOTAL (A+B+C) :	1918	6200800

#### Distribution of Shareholding as on 31<sup>st</sup> March, 2012

Distribution Schedule As On 31/03/2012					
S.No	Category	No. of Holders	%	Value of Shares	%
1	000001- 005000	1535	80.03	1858490.00	3.00
2	005001- 010000	121	6.31	1001980.00	1.62
3	010001- 020000	102	5.32	1680480.00	2.71
4	020001- 030000	28	1.46	729130.00	1.18
5	030001- 040000	28	1.46	1070210.00	1.73
6	040001- 050000	9	0.47	417860.00	0.67
7	050001- 100000	32	1.67	2284750.00	3.68
8	100001 & Above	63	3.28	52965100.00	85.42
	Total:	1918	100.00	62008000.00	100.00

#### Dematerialization of shares and Liquidity

The shares of the company are compulsorily traded in dematerialized form and are available for dematerialization under both the Depository Systems in India- NSDL and CDSL. As on 31<sup>st</sup> March, 2012, a total of 60, 15,754 equity shares of the company, which constitutes 97% of the Share Capital of the company, are dematerialized.

## Statutory Compliance

During the year the company has complied with the applicable provisions, filed relevant returns, forms and furnished all the requisite particulars as required under the Companies Act, 1956 and allied legislations, the Securities Exchange Board of India's (SEBI) Regulations and the Listing Agreement.

### Reconciliation of Share Capital Audit Report:

As stipulated by SEBI, a qualified Practicing Company Secretary carried out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchange where the shares of the company are listed. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

### For share related services like transfer of physical shares / change of address / annual report etc:

For share related services / transfer of physical shares / change of address of members	For queries relating to Dividends, Annual Reports etc.
Registrar & Share Transfer Agents Mr.V K Jayaraman /Mrs.Varalakshmi Karvy Computershare Private Limited Plot No.17 to 24,Vittalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh. Ph: +91 40 2342 0815-824 (10 lines) Fax:+91 40 2342 0814 E-mail: einward.ris@karvy.com Website: www.karvy.com:	Mr. Chinmoy Patnaik Deputy General Manager – Legal & Company Secretary Pokarna Limited, 105, 1st Floor, Surya Towers, Sardar Patel Road, Secunderabad – 500 003, Andhra Pradesh. Ph: +91 40 2789 6361, 27840 4101 Fax:+91 40 2784 2121 Email id for investor grievances: igrc@pokarna.com Website:www.pokarna.com

### Outstanding GDR, ADR, Warrants or any Convertible Instruments, their conversion dates and likely impact on Equity

Name of the Instrument	Total Issued	Converted as on 31st March, 2012	Outstanding as on 31st March, 2012	Likely conversion date
Zero Coupon Foreign Currency Convertible Bonds (issued during FY 2006-2007)	*US\$12,000,000	Nil	*US\$12,000,000	Not Applicable

\* FCCBs are represented in value.

#### a) Quarrying Operations

##### Chimakurthy - Black Galaxy

Survey No. (12/1 P etc) (14/ac etc) (16/4p) (26/4, 26/a, 27/1 to 5 etc) (26 and 27) Extent – (14.07 Acres) (10.03 Acres) (1.471 Hect) (5.676 Hect) (0.619 Hect) Village - R.L. Puram, Survey No: (980/2) (980/3 & 5) (988/1), Extent – (0.96 Acres) (1.94 Acres) (1.63 Acres), Village – Chimakurthy, Mandal – Chimakurthy, District – Prakasam.

##### Bommala Ramaram - Brown

Survey No: 36/1, Extent - 3.34 Hect, Village – Malyala, Mandal – Bommala Ramaram, District – Nalgonda.

##### Togarai - C. Brown

Survey No. (221) (552), Extent – (3.00 Hect) (4.0 Hect) Village - (Kanukula) (Togarai), Mandal – Sultanabad, District – Karimnagar.

##### Chelluru - Dragan Red

Survey No. (728) (728), Extent – (5.00 Hect) (4.00 Hect), Village – Challoor, Mandal – Veenavanka, District – Karimnagar.

##### Singupuram - Flash Blue

Survey No. (270) (270), Extent – (1.60 Hect) (1.86 Hect)

Village – Singupuram, Mandal – Srikakulam, District – Srikakulam.

**Ponduru - P. Green**

Survey No. 284, Extent - 1.930 Hect, Village - Rapaka, Mandal - Ponduru, District - Srikakulam.

**Madikonda - Sapphire Brown**

Survey No. 906, Extent - 1.984 Hect, Village - Madikonda, Mandal - Hanamakonda, District - Warangal.

**Ballikururava - Silver Pearl**

Survey No. (103) (103) (847/1,203,204/1,2,207/1t07 208/2P)

Extent - (4.000 Hect) (4.271 Hect) (12.877 Hect), Village - Konedina

Mandal - Ballikururava, District - Prakasam.

**Puttur - Silver Waves**

Survey No. 6, Extent - 6.00 Hect, Village - Eswarapuram

Mandal - Puttur, District - Chithoor.

**Kamanpur - T. Brown**

Survey No. (116/1) (97 & 111), Extent - (13.787 Hect) (4.500 Hect), Village - Kamanpur,

Odayaram, Mandal - Karimnagar, Gangadhara

District - Karimnagar.

**Tekkali - Vizag Blue**

Survey No. (53) (53), Extent - (5.0 Hect) (2.0 Hect), Village - Tekkali, Mandal - Tekkali, District - Srikakulam.

Survey No. 208/4,5,209/3 to 7,371/P,372/1,2,3, Extent - Village - Ballikurava Mandal - District.

**b) Granite Manufacturing Plants**

Granite Processing Plant

- |  |  |
|--|--|
| 1. Survey No. 123,<br>Toopranpet Village,<br>Choutuppal Mandal,<br>Nalgonda District,<br>Andhra Pradesh. | 2. Survey No. 563,568 & 574,<br>Aliabad Village,<br>Shameerpet Mandal,<br>R. R. Dist,<br>Andhra Pradesh. |
|--|--|

**Apparel Manufacturing Plant**

Survey No. 33, 39, 50, 51, 55, 68 & 69,

Apparels Export Park,

Gundlapchampally Village,

Medchal Mandal, R. R. Dist,

Andhra Pradesh.

**Registered Office**

105, First Floor, Surya Towers, Sardar Patel Road,

Secunderabad - 500 003, Andhra Pradesh.

Ph: +91 40 2789 6361, 27840 4101

Fax: +91 40 2784 2121

Email id for investor grievances: [igr@pokarna.com](mailto:igr@pokarna.com)

Website: [www.pokarna.com](http://www.pokarna.com)

**Engineered Quartz Surfaces Plant**

Pokarna Engineered Stone Limited (Wholly owned Subsidiary of the company.)

Plot No. 45, APSEZ, Achutapuram & Rambili Mandals,

Visakapatnam District, Andhra Pradesh

## **I. NON MANDATORY REQUIREMENTS**

The company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. The status of compliance with non-mandatory requirements is as under:

### **Chairman**

The company has an Executive Chairman and hence the requirement pertaining to reimbursement of expenses to a Non Executive Chairman does not arise.

### **Remuneration Committee**

The Board has setup a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing/ Executive Directors, determine and recommend to the Board, compensation payable to Managing/ Executive Directors.

### **Shareholders Rights**

The company publishes its results on its website at [www.pokarna.com](http://www.pokarna.com) and this information is also available on the website of the Bombay Stock Limited where the shares are listed. A half yearly declaration of financial performance including summary of significant events in the last six-months has not been sent to each household of shareholders, as the quarterly results are published in widely circulated English newspaper. The complete Annual Report is sent to every shareholder of the company.

### **Audit Qualification**

The company continues to adopt best practices to endeavor the regime of unqualified financial statements. There is no qualification from the statutory auditors of the company for the financial year 2011-12.

### **Training of Board Members**

In order to fulfill the Governance ordained role, comprehension information is provided and presentations are made on working of various businesses of the company. Directors are briefed about the all business related matters, risk, new business initiatives proposed by the company. Directors are also briefed on changes/developments in the domestic / global corporate and industry scenario including those pertaining to statutes/legislations and economic environment. Training shall be provided to the Board members whenever the need shall arise.

### **Mechanism for evaluation of Non Executive Directors**

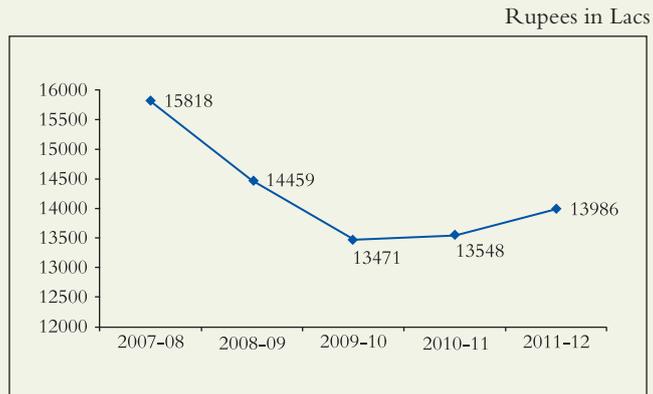
The role of the Board of Directors is to provide direction and exercise control to ensure that the company is managed in a manner that fulfills the aspirations of the stakeholders. The Board does not feel the necessity of evaluating the performance of its Non-Executive Board members.

### **Whistle Blower Policy**

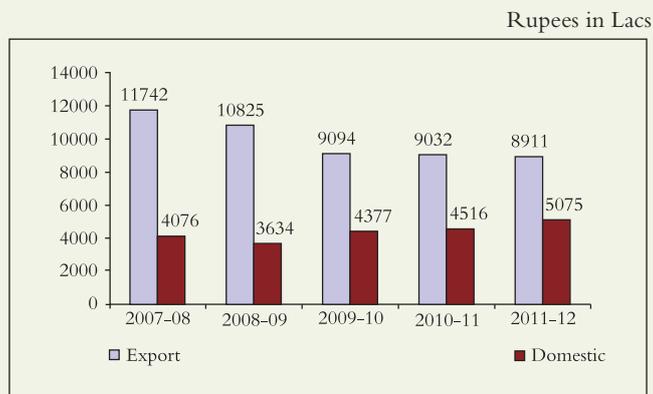
The company encourages open door policy where employees have access to all the Heads of the Business/Functions. Employees are free to report existing/probable violations of laws, rules, regulations or unethical conduct to Heads of the Business/Function.

## YOUR COMPANY'S GROWTH

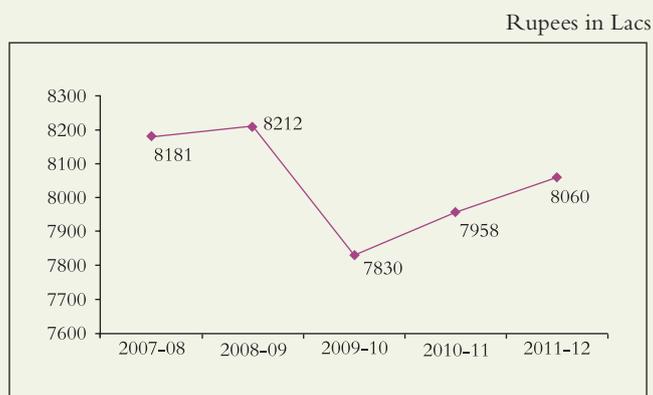
### Turnover



### Sales - Export vs Domestic



### Reserves & Surplus



### Book Value

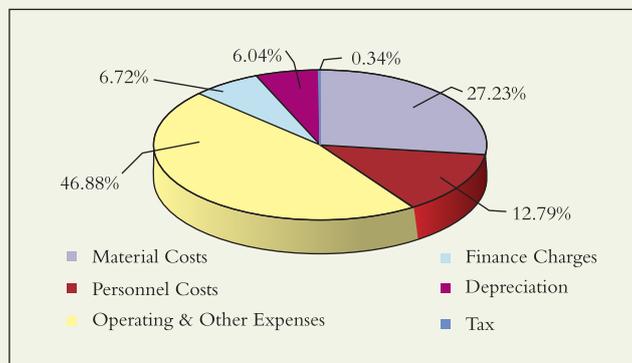
In Rupees



### Debt / Share Holders Fund



### Distribution of Revenue



**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF THE  
CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF  
THE LISTING AGREEMENT**



To

The Members' of Pokarna Limited.

We have examined the compliance of conditions of corporate governance by **Pokarna Limited** ("the Company"), for the year ended on **31st March, 2012** as stipulated in clause 49 of the Listing Agreement entered by the Company with Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S. Daga & Co.**  
**Chartered Accountants**  
(F.No. 000669S)

Place : Hyderabad  
Date : 11th August, 2012

**Shantilal Daga**  
Partner  
**Membership No. 11617**

## POKARNA LIMITED



### AUDITORS' REPORT

To  
The Members,  
Pokarna Limited.

1. We have audited the attached balance sheet of POKARNA LIMITED, as at 31<sup>st</sup> March 2012, and the Statement of profit and loss and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2012 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31<sup>st</sup> March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31<sup>st</sup> March 2012;
    - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For S.Daga & Co.,**  
Chartered Accountants,  
(F.No.000669S)

**Shantilal Daga**  
M.No.11617  
Partner

Place: Hyderabad  
Date: 11.08.2012.

## POKARNA LIMITED

### ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in Paragraph 3 of the Report of the Auditors

1. (a) The company has maintained generally proper records to show full particulars including quantitative details and situation of fixed assets.  
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been properly dealt with in the books of account;  
(c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.  
(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The company had not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) In view of our comment in paragraph 3(a) above, reporting under clause 4(iii) (b), (c) & (d) of the aforesaid order are not applicable to the Company.  
(c) During the period, the company had taken unsecured loans from 5 parties (Previous year 5 parties) covered in the register maintained under section 301 of the companies Act, 1956 and the maximum amount involved during the period was ₹.2332.55 lacs (Pr.Year ₹.2018.17 lacs) and the period end balance is ₹.2332.55 lacs (Pr.Year ₹.2018.17 lacs).  
(d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.

**POKARNA LIMITED**

8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. (a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the details of disputed statutory dues as at the year end:

Sl. No.	Name of the Statute	Nature of Dues	Amount (₹. In Lacs)	Period to which the amount relates	Forum where the dispute is pending	Amount Deposited (₹. In Lacs)
1	C.S.T.	C.S.T	3.15	2004-05	Commercial Tax Officer	2.00
2	Finance Act, 1994	Service Tax	84.21	2007-11	Commissioner of Central Excise & Service Tax	-
3	Central Excise Act, 1944	Excise Duty	36.92	2001-10	Commissioner of Central Excise & Service Tax	5.71
4	Customs Act, 1962	Customs Duty	53.23	2005-06 2010-11	Customs, Excise & Service Tax Appellate Tribunal	3.75
5	Income Tax Act, 1961	Income Tax	7.17	2005-06	Commissioner of Income Tax	-
<b>Total</b>			<b>184.68</b>			<b>11.46</b>

10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. The company has delayed in making repayment of dues to banks for a short period of 2-3 months during the year. The balance due to the bank at the close of the year towards principal of ₹ 183.06 Lacs and interest of ₹. 46.93 Lacs have since been paid by the company. Further 12,000 Zero coupon Foreign Currency Convertible Bonds (FCCBs) of USD 1000 each (₹. 6138.78 Lacs) have been matured for payment at 144.50% on 29<sup>th</sup> March 2012, which are remained unpaid/unredeemed .
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. According to the information and explanations to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.

16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment. .
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
20. The company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For S.Daga & Co.,**  
Chartered Accountants,  
(F.No.000669S)

**Shantilal Daga**  
M.No.11617  
Partner

Place: Hyderabad  
Date: 11.08.2012

A glimpse of the recent campaign for Stanza shirts & trousers



A glimpse of the recent campaign for Stanza shirts & trousers



A glimpse of the recent campaign for Stanza shirts & trousers



Participation at Stona 2012, Bangaluru



**POKARNA LIMITED**

**BALANCE SHEET**

Rupees in Lacs

	Notes	As at 31.03.2012	As at 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2.1	620.08	620.08
Reserves & Surplus	2.2	8059.64	7958.44
		<b>8679.72</b>	8578.52
<b>Non-Current Liabilities</b>			
Long-term Borrowings	2.3	2794.05	3759.33
Deferred Tax Liabilities	2.4	569.66	576.45
Other Long-term Liabilities	2.5	383.25	305.80
Long-term Provisions	2.7	45.88	89.96
		<b>3792.84</b>	4731.54
<b>Current Liabilities</b>			
Short-term Borrowings	2.3	3473.21	3019.07
Trade Payables	2.6	1399.24	1966.16
Other Current Liabilities	2.5	8345.67	7418.18
Short-term Provisions	2.7	1729.81	869.56
		<b>14947.93</b>	13272.97
<b>Total</b>		<b>27420.49</b>	26583.03
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Fixed Assets			
Tangible Assets	2.8	8786.96	9604.73
Intangible Assets	2.8	114.84	153.12
Capital Work-In-Progress		273.57	181.90
Non-current Investments	2.9	6115.88	6115.88
Long-term Loans and Advances	2.10	4059.83	2418.60
Other Non-current Assets	2.11	86.49	371.86
		<b>19437.57</b>	18846.09
<b>Current Assets</b>			
Inventories	2.12	3808.63	3957.32
Trade Receivables	2.13	2989.57	2899.23
Cash and Bank Balances	2.14	619.18	228.69
Short-term Loans and Advances	2.10	519.83	638.08
Other Current Assets	2.11	45.71	13.62
		<b>7982.92</b>	7736.94
<b>Total</b>		<b>27420.49</b>	26583.03

Significant Accounting Policies

1

Notes on Financial Statements

2

The accompanying notes are an integral part of financial statements

As per our report attached

For and on behalf of Board of Directors

**For S. Daga & Co.**  
Chartered Accountants  
(E.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**

**STATEMENT OF PROFIT & LOSS**

Rupees in Lacs

	Notes	<b>For The Year Ended 31.03.2012</b>	For The Year Ended 31.03.2011
<b>INCOME</b>			
Revenue from Operations (gross)	2.15	<b>14319.57</b>	13710.10
Less :Excise Duty		<b>333.95</b>	162.05
Revenue from Operations (net)		<b>13985.62</b>	13548.05
Other Income	2.16	<b>308.50</b>	154.62
<b>Total</b>		<b>14294.12</b>	13702.67
<b>EXPENSES</b>			
Cost of Raw Material and Components consumed	2.17	<b>3768.52</b>	3496.00
Purchase of Traded goods	2.18	<b>331.68</b>	530.92
(Increase)/Decrease in Inventories of Finished Goods, Work-in-Progress and Traded Goods	2.19	<b>(235.22)</b>	(508.00)
Employee Benefits Expense	2.20	<b>1815.42</b>	1746.56
Other Expenses	2.21	<b>6653.26</b>	6601.85
<b>Total</b>		<b>12333.66</b>	11867.33
<b>Earnings Before Interest, Tax, Depreciation</b>		<b>1960.46</b>	1835.34
Depreciation	2.22	<b>856.68</b>	866.13
Finance Costs	2.23	<b>953.84</b>	864.05
<b>Profit Before Tax</b>		<b>149.94</b>	105.16
<b>Tax Expenses</b>			
Current Tax		<b>50.58</b>	20.96
Deferred Tax		<b>(6.79)</b>	(57.79)
Prior year tax		<b>4.95</b>	13.55
<b>Total Tax Expenses</b>		<b>48.74</b>	(23.28)
<b>Profit After Tax</b>		<b>101.20</b>	128.44
Earnings Per Share - Basic (in ₹.)		<b>1.63</b>	2.07
Earnings Per Share - Diluted (in ₹.)		<b>1.63</b>	1.52
(Par value of ₹. 10/- each)			
Significant accounting policies	1		
Notes on Financial Statements	2		

The accompanying notes are an integral part of financial statements

As per our report attached

For and on behalf of Board of Directors

**For S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**

**CASH FLOW STATEMENT**

Rupees in Lacs

	<b>For The Year Ended 31.03.2012</b>	For The Year Ended 31.03.2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>149.94</b>	105.16
Adjustments:		
Depreciation and amortization expense	<b>856.68</b>	866.13
Loss/(profit) on sale of fixed assets	<b>30.87</b>	42.89
Unrealized foreign exchange (gain) / loss, net	<b>(67.54)</b>	(59.16)
Provision for Doubtful Debts	<b>49.81</b>	(189.53)
Interest expense	<b>953.84</b>	864.05
Interest income	<b>(35.99)</b>	(38.65)
<b>Operating profit before working capital changes</b>	<b>1937.61</b>	1590.89
Changes in working capital and other provisions:		
Trade receivables	<b>(81.94)</b>	432.13
Inventories	<b>148.69</b>	(797.93)
Loans and advances and other assets	<b>(584.45)</b>	(713.25)
Other Liabilities and provisions	<b>384.94</b>	828.07
<b>Cash generated from operations</b>	<b>1804.85</b>	1339.91
Income taxes paid, net	<b>(3.59)</b>	(16.08)
<b>Net cash flow generated by operating activities</b>	<b>1801.26</b>	1323.83
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and changes in capital work in progress	<b>(140.56)</b>	(185.39)
Proceeds from sale of fixed assets	<b>17.39</b>	9.67
Long term loans and advances given to subsidiaries	<b>(74.14)</b>	(269.55)
Interest income	<b>35.99</b>	38.65
<b>Net cash used in investing activities</b>	<b>(161.32)</b>	(406.62)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank Borrowings	<b>(1302.45)</b>	(1189.97)
Other Borrowings	<b>848.11</b>	408.48
Interest expense	<b>(953.84)</b>	(864.05)
<b>Net cash generated from financing activities</b>	<b>(1408.18)</b>	(1645.54)
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>231.76</b>	(728.33)
Add: Cash and Cash equivalents at the beginning of the year	<b>155.95</b>	869.45
Effect of exchange gain on cash and cash equivalents	<b>11.86</b>	14.83
<b>Cash and cash equivalents at the end of the year</b>	<b>399.57</b>	155.95

Significant Accounting Policies 1

Notes on Financial Statements 2

The accompanying notes are an integral part of financial statements

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

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## **1. Significant Accounting Policies**

### **A Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention on accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956.

### **B Use of Estimates**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

### **C Revenue Recognition**

- (i) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership are transferred to the customers.
- (ii) Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
- (iii) Revenue from services is recognized as per the terms of the contracts with the customers when the services are performed.
- (iv) Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (v) Dividend income is recognized when the company's right to receive dividend is established.
- (vi) Export entitlements under the duty remission scheme are recognized as income when the right to receive the credit as per the terms of the scheme is established in respect of the exports made.

### **D Recognition of Expenditure**

Expenses are accounted for on an accrual basis and provision is made for all known losses and liabilities.

### **E Fixed Assets**

- (i) Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
- (ii) The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
- (iii) All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized.

### **F Intangible Assets**

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized on a straight line basis over their estimated useful life of 10 years.

### **G Impairment of Assets**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

### **H Capital Work-in-Progress**

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

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**I Depreciation**

Depreciation on fixed assets is provided on straight line method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Capital expenditure and improvements on lease hold property is amortized over the lease period or useful life of the asset, whichever is less.

**J Inventories**

Inventories are valued at the lower of cost and net realizable value. Obsolete, slow moving and defective inventories are identified at the time of physical verification and necessary provision is made for such inventories. The cost is determined using the first-in-first out method for all categories of inventories. Cost includes in case of Raw materials, Stores & spares and consumables the purchase price and attributable direct cost less discounts. In case of work-in-process and finished goods cost includes direct labour, material costs and production overheads.

**K Employee Benefits**

Short-term employee benefits are recognized as an expense in the profit and loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

**L Foreign Currency Transactions**

- (i) Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of transaction.
- (ii) Monetary assets & liabilities denominated in foreign currencies are restated at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted during the year.
- (iii) In respect of Forward Exchange contracts entered into to hedge foreign currency risks, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of the contract. Further, the exchange differences arising on such contracts are recognized as income or expense along with the exchange differences on the underlying assets / liabilities. Further, in case of other contracts with committed exchange rates, the underlying is accounted at the rate so committed. Profit or loss on cancellations / renewals of forward contracts is recognized during the year. In case of option contracts, the losses are accounted on mark to market basis.

**M Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating lease. Operating lease payments are recognized as expense in the Profit and Loss Account on a straight-line basis over the lease term.

**N Borrowing Cost**

Interest and other borrowing costs attributable to qualifying assets are capitalized. Other interest and borrowing costs are charged to revenue.

**O Provisions, Contingent Liabilities and Contingent Assets**

- (i) The company recognizes as Provisions, the liabilities being present obligations arising from past events, the settlement of which is expected to result in an outflow of resources and which can be measured only by using a substantial degree of estimation.

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(ii) Contingent Liabilities are disclosed by way of a note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

(iii) Contingent Assets are neither recognized nor disclosed.

**P Accounting for Taxes on Income**

(i) Provision for current tax is made in accordance with and at the rates specified under the Income-Tax Act, 1961, as amended.

(ii) Deferred tax is recognized on timing differences, keeping in view the matching concept and the principles of prudence.

(iii) Deferred tax assets and liabilities are accounted for based on the difference between taxable income and accounting income that originates in one period and are expected to reverse in the subsequent periods.

(iv) Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as of the Balance Sheet date.

**Q Cash Flow Statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

**R Measurement of EBITDA**

The company has presented earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the company does not include depreciation and amortization expense, finance costs and tax expense.

**2. Notes to Financial Statements**

Rupees in Lacs

**31.03.2012**    31.03.2011

**2.1 Share Capital**

Authorized:

2,00,00,000 (2,00,00,000) Equity Shares  
of ₹.10/- each

**2000.00**    2000.00

Issued, Subscribed and Paid-up:

62,00,800 (62,00,800) Equity Shares  
of ₹.10/- each fully paid-up

**620.08**    620.08

**Total**

**620.08**    620.08

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity Shares	No. of Shares	No. of shares
At the beginning of the period	6200800	6200800
Issued during the period	-	-
Outstanding at the end of the period	6200800	6200800

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**b. Terms / rights attached to equity shares:**

The company has only one class of equity shares having a par value of ₹.10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2012 the amount of per share dividend recognised as distribution to equity shareholders was ₹.-Nil-

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Details of shareholders holding more than 5% shares in the company**

	31.03.2012		31.03.2011	
	No. of shares	% holding	No. of shares	% holding
Equity shares of ₹.10/- each fully paid				
Gautam Chand Jain	500000	8.06	500000	8.06
Prakash Chand Jain	500000	8.06	500000	8.06
Ashok Chand Jain	500000	8.06	500000	8.06
Raaj Kumar Jain	510150	8.23	510150	8.23
Dilip Kumar Jain	500000	8.06	500000	8.06

**2.2 Reserves and Surplus**

	31.03.2012	31.03.2011
<b>Capital Subsidy</b>	15.00	15.00
<b>Share Premium</b>	73.96	73.96
<b>General Reserve</b>		
Balance at the Beginning of the Year	943.76	943.76
Add: Transfer from Profit & Loss A/c	-	-
	943.76	943.76
<b>FCCBs Redemption Reserve</b>		
Opening Balance	4295.21	3258.99
Add: Transferred from Profit & Loss A/c	1843.57	1036.22
	6138.78	4295.21
<b>Profit &amp; Loss Account</b>		
Opening Balance	2630.51	3538.29
Add: Profit for the year	101.20	128.44
	2731.71	3666.73
Less: Trd. to FCCBs Redemption reserve	1843.57	1036.22
	888.14	2630.51
<b>Total</b>	<b>8059.64</b>	<b>7958.44</b>

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.3 Borrowings**

**A. Long-Term Borrowings**

	<u>Non-current portion</u>		<u>Current maturities</u>	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
<b>Secured</b>				
<b>Term Loans</b>				
Indian Rupee Loans from Banks	761.30	1929.26	1358.49	1196.07
<b>Hire Purchase Loans</b>				
Banks	14.61	18.28	15.07	10.86
Others	6.14	29.79	32.79	142.62
<b>Unsecured</b>				
<b>Loans &amp; Advances from Related Parties</b>				
Loans from Directors	677.00	457.00	-	-
Inter Corporate Deposits	1335.00	1325.00	-	-
	<u>2794.05</u>	<u>3759.33</u>	<u>1406.35</u>	<u>1349.55</u>
Amount disclosed under the head "Other Current Liabilities" (Note.2.5(B))			(1406.35)	(1349.55)
<b>Total</b>	<u>2794.05</u>	<u>3759.33</u>	<u>-</u>	<u>-</u>

**B. Short term Borrowings**

**Secured**

From Banks		
- Working Capital Loan	2721.62	3019.07

**Unsecured**

From Others - Inter Corporate Deposit	751.59	-
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**Total**

<u>3473.21</u>	<u>3019.07</u>
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- a. Term Loans & Working capital facilities from Union Bank of India, Hyderabad, are secured by hypothecation by way of first charge on all immovable and movable properties including current assets such as inventories, book debts and other receivables of the company including machineries both present and future besides personal guarantee / security of the Directors (other than independent directors) and their relative.

**b. Maturity profile of Term Loans from banks are as set out below:**

Rate of Interest	2012-13	2013-14	2014-15
15%	1175.43	424.17	337.13

- c. Current maturities of Term Loans include ₹. 183.06 Lacs installments overdue as on the date of Balance Sheet has since been paid by the company.
- d. Hire Purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of some of the Directors (other than independent directors)

**2.4 Deferred Tax Liabilities (Net)**

**Deferred Tax Liabilities**

Depreciation	591.48	655.62
	<u>591.48</u>	<u>655.62</u>

**Deferred Tax Asset**

Others	-	73.51
Provision for Doubtful Debts	21.82	5.66
	<u>21.82</u>	<u>79.17</u>

**Total**

<u>569.66</u>	<u>576.45</u>
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**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.5 Other Liabilities</b>		
<b>A. Other Long-Term Liabilities</b>		
Security Deposit	62.70	69.63
Interest accrued but not due on borrowings	320.55	236.17
<b>Total</b>	<b>383.25</b>	<b>305.80</b>
<b>B. Other Current Liabilities</b>		
Advance from Customers	67.89	114.43
Creditors for Capital Expenditure	85.09	55.44
Zero Coupon Foreign Currency Convertible Bonds	6138.78	5358.00
Current Maturities of Long Term Borrowings (refer note.2.3(A))	1406.35	1349.55
Interest accrued and due on borrowings	46.93	86.13
Statutory Liabilities	96.56	115.71
Unpaid Dividend	8.46	14.63
Other Liabilities	495.61	324.29
<b>Total</b>	<b>8345.67</b>	<b>7418.18</b>

- a. 12,000 Zero coupon Foreign Currency Convertible Bonds (FCCBs) of USD 1000 each (₹.6138.78 Lacs) have been matured for payment at 144.50% on 29th March,2012, which are remained unpaid/unredeemed as on date. The matter is under negotiation to restructure the terms with the Bond Holders.
- b. Interest accrued and due on borrowings of ₹. 46.93 Lacs (₹.86.13 Lacs) has since been paid by the company.

**2.6 Trade Payables**

Trade Payables	1399.24	1966.16
<b>Total</b>	<b>1399.24</b>	<b>1966.16</b>

**2.7 Provisions**

**A. Long-term Provisions**

**Provision for Employee Benefits**

Provision for Gratuity	31.59	76.51
Provision for Leave Benefit	14.29	13.45
<b>Total</b>	<b>45.88</b>	<b>89.96</b>

**B. Short-term Provisions**

Provision for Gratuity	10.40	30.00
Provision for Leave Benefit	30.45	-
Provision for Premium payable on FCCBs	1638.38	818.60
Provision for Tax	50.58	20.96
<b>Total</b>	<b>1729.81</b>	<b>869.56</b>

- a. Provision has been made for premium, which may be payable on FCCBs matured on 29.03.2012 as per the subsisting terms and conditions amounting to ₹.2731.14 Lacs (Previous year ₹. 1911.36 Lacs) inclusive of ₹. 1092.76 Lacs charged in Financial Statements for the period from 29th March, 2007 to 31st March, 2009 of Pokarna Engineered Stone Limited (Subsidiary) as per the Scheme of Arrangement sanctioned by Hon'ble Andhra Pradesh High Court. The matter is under negotiation to restructure the terms with the Bond Holders.

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**Notes - 2.8**

**Fixed Assets**

Description	Gross Block			Depreciation		Net Block			
	As on 01.04.2011	Additions	Deletions	As on 31.03.2012	Upto 31.03.2011	For the Period	Adjustments	As on 31.03.2012	As on 31.03.2011
<b>Tangible Assets</b>									
Land - Freehold*	479.34	0.57	-	479.91	-	-	-	479.91	479.34
Buildings	55.81	-	-	55.81	6.05	0.91	-	48.85	49.76
Factory & Quarry Buildings	2230.37	-	-	2230.37	490.11	74.11	-	1666.15	1740.26
Plant & Machinery	10826.11	5.80	11.63	10820.28	4425.62	620.95	5.66	5779.37	6400.49
Vehicles	586.48	32.43	53.87	565.04	298.97	57.05	30.49	239.51	287.51
Furniture & Fixtures	778.67	1.31	35.07	744.91	199.14	54.55	16.37	507.59	579.53
Office Equipment	167.64	8.79	2.48	173.95	99.80	10.83	2.26	65.58	67.84
<b>Total - (A)</b>	15124.42	48.90	103.05	15070.27	5519.69	818.40	54.78	8786.96	9604.73
<b>Intangible Assets:</b>									
Trade Marks & Brand Names	382.80	-	-	382.80	229.68	38.28	-	114.84	153.12
<b>Total - (B)</b>	382.80	-	-	382.80	229.68	38.28	-	114.84	153.12
<b>Total - (A + B)</b>	15507.22	48.90	103.05	15453.07	5749.37	856.68	54.78	8901.80	9757.85
Previous Year	15406.35	224.53	123.66	15507.22	4954.33	866.13	71.09	9757.85	10452.02

\* Note: Land includes Acres 2.11 cents at R. L. Puram, Prakasam Dt., Andhra Pradesh which has been disputed by third parties pending disposal.

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.9 Non-Current Investments</b>		
Fully Paid Up Long Term - At Cost		
Non-trade investments (valued at cost unless stated otherwise)		
In Subsidiary Companies -		
1,00,000 Equity Shares of ₹.10/- each of Pokarna Engineered Stone Limited	10.00	10.00
6,10,58,764, Optionally Convertible Debentures of ₹. 10/- each of Pokarna Engineered Stone Limited	6105.88	6105.88
<b>Total</b>	<b>6115.88</b>	<b>6115.88</b>

**Investments in Debentures**

- a. The aforesaid Optionally Convertible Debentures were acquired for net consideration in terms of order of the Hon'ble Court of Andhra Pradesh sanctioning Scheme of Arrangement between the Company and Pokarna Engineered Stone Limited of ₹. 667.03 Lacs and for transfer of assets, liabilities and expenses for the period from 1st July, 2007 to 31st March, 2009 of ₹.5438.85 Lacs.
- b. **Terms and Conditions:** Debentures are for tenor of 7 years from the date of allotment, during this period the option to convert / redeem shall vest solely with the Company.
- c. Rate of interest is equivalent to the cost of related expenditure, interest and exchange gain / loss, the Company is liable to pay on account of redemption of the FCCBs. Consequently, no interest shall be payable in respect of the OCD's after the date of redemption/conversion of the FCCBs.
- d. If OCD's are opted for redemption anytime before they are due for redemption, interest shall be payable in respect of the OCD's at the rate of 8% per annum. The coupon / interest on the OCD's shall accrue and be payable at the time of redemption of the OCD's.
- e. **Conversion obligation:** 15 (Fifteen) OCD's shall be convertible into 1 (One) equity share of ₹.10/- each of Pokarna Engineered Stone Limited.

**2.10 Loans & Advances**

**A. Long-term Loans and Advances**

Unsecured, considered good unless stated otherwise		
Capital Advances	75.95	70.85
Security Deposit	426.27	463.46
Advances recoverable in cash or kind	1699.79	880.01
Loans and Advances to Subsidiary - Pokarna Engineered Stone Limited	1857.82	1004.28
<b>Total</b>	<b>4059.83</b>	<b>2418.60</b>

**B. Short-term Loans and Advances**

Unsecured, considered good unless stated otherwise		
Advances recoverable in cash or kind	230.98	348.93
Cenvat Credit Receivable	66.34	59.80
Balances with Customs & Excise Authorities	-	0.11
Advance for Raw Material	123.25	109.10
Advance Income Tax	30.58	52.90
Prepaid Expenses	67.20	66.51
Loans to Employees	1.48	0.73
<b>Total</b>	<b>519.83</b>	<b>638.08</b>

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.11 Other Assets</b>		
<b>A. Other Non-current Assets</b>		
Unsecured, considered good unless stated otherwise		
Non-current Bank Balances		
Deposits with maturity for more than 12 months		
Margin Money deposits	67.19	340.22
Interest accrued on fixed deposits	19.30	31.64
<b>Total</b>	86.49	371.86
<b>B. Other Current Assets</b>		
Unsecured, considered good unless stated otherwise		
Interest accrued on fixed deposits	45.71	13.62
<b>Total</b>	45.71	13.62
<b>2.12 Inventories</b>		
Raw Material (includes in transit ₹.191.19 Lacs) (₹. 165.70 Lacs)	834.00	1164.36
Work-in-progress	322.12	347.44
Finished Goods	2050.00	1796.55
Traded Goods	151.56	144.47
Consumables, Stores & Spares	400.69	457.28
Packing Material	50.26	47.22
<b>Total</b>	3808.63	3957.32
<b>2.13 Trade Receivables</b>		
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	508.67	470.87
Doubtful	67.26	17.45
	575.93	488.32
Provision for doubtful receivables	67.26	17.45
	508.67	470.87
Other receivables	2480.90	2428.36
<b>Total</b>	2989.57	2899.23
<b>Trade Receivables include:</b>		
a. Debts due from Partnership firms in which the company's directors are partners	-	0.97
- Southend Extension		
b. Debts due from company in which the company's directors are directors	259.40	147.95
- Pokarna Fashions Limited		

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.14 Cash and Bank Balances**

	Non-current		Current	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Cash and Cash Equivalents				
Balances with Banks			338.96	133.40
Deposits - Margin Money				
with maturity less than 3 months			41.75	-
In unpaid Dividend Account			8.46	12.03
Cash in Hand			10.40	10.52
			<b>399.57</b>	<b>155.95</b>
Other Bank Balances				
Deposits - Margin Money				
with maturity for more than 3 months but less				
than 12 months			219.61	72.74
with maturity for more than 12 months	67.19	340.22		
Amount disclosed under the head "Other Current				
Assets" (Note.2.11(A))	(67.19)	(340.22)		
<b>Total</b>	<b>-</b>	<b>-</b>	<b>619.18</b>	<b>228.69</b>

**2.15 Revenue from Operations**

Sale of Products				
Finished Goods			13640.36	12672.14
Traded Goods			544.18	684.26
			<b>14184.54</b>	<b>13356.40</b>
Sale of Services			90.61	310.93
Other Operating Income				
Scrap Sales			44.42	42.77
Revenue from Operations (Gross)			<b>14319.57</b>	<b>13710.10</b>

**Details of Products Sold**

**Finished Goods Sold**

Finished Granite			8804.72	9006.60
Raw Granite			2259.21	2212.93
Apparel			2576.43	1452.61
			<b>13640.36</b>	<b>12672.14</b>

**Traded Goods Sold**

Finished Granite			15.11	124.12
Raw Granite			9.54	29.98
Apparel			139.90	207.41
Fabric			379.63	322.75
			<b>544.18</b>	<b>684.26</b>

**Total**

**14184.54**    **13356.40**

**Details of Services Rendered**

Mining Services			10.75	72.54
Job work Charges			79.86	238.39

**Total**

**90.61**    **310.93**

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.16 Other Income</b>		
Interest income on		
Bank Deposits	28.15	29.40
Others	7.84	9.25
Commission Income	1.58	3.31
Foreign Exchange Gain	249.03	88.18
Credit / Prov. no longer required written back	-	24.48
Hire Charges Received	21.90	-
<b>Total</b>	<b>308.50</b>	154.62
 <b>2.17 Cost of Raw Material and Components consumed</b>		
Opening Stock	1218.93	1020.28
Add: Purchases	3440.30	3694.65
	4659.23	4714.93
Less: Closing Stock	890.71	1218.93
<b>Total</b>	<b>3768.52</b>	3496.00
<b>Details of Raw Material and Components consumed</b>		
Raw Granite	2573.24	2790.23
Fabric	1105.25	650.83
Consumables	90.03	54.94
<b>Total</b>	<b>3768.52</b>	3496.00
<b>Details of Inventory</b>		
Raw Granite	399.50	655.16
Fabric	434.50	509.20
Consumables	56.71	54.57
<b>Total</b>	<b>890.71</b>	1218.93
 <b>2.18 Details of Purchase of Traded Goods</b>		
Finished Goods	12.20	98.91
Raw Granite	7.82	16.15
Apparel	79.04	175.82
Fabric	232.62	240.04
<b>Total</b>	<b>331.68</b>	530.92

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.19 (Increase) / Decrease in Inventories</b>		
<b>Opening Stock</b>		
Finished Goods	1653.36	1455.13
Work-in-Process	347.44	130.42
Raw Granite	143.19	117.95
Traded Goods	144.47	76.96
	2288.46	1780.46
<b>Less: Closing Stock</b>		
Finished Goods	1935.65	1653.36
Work-in-Process	322.12	347.44
Raw Granite	114.35	143.19
Traded Goods	151.56	144.47
	2523.68	2288.46
<b>Total</b>	(235.22)	(508.00)
<b>Details of Inventory</b>		
<b>Traded Goods</b>		
Apparel	151.56	144.47
<b>Total</b>	151.56	144.47
<b>Work-In-Progress</b>		
Finished Granite	188.50	155.59
Apparel	133.62	191.85
<b>Total</b>	322.12	347.44
<b>Finished Goods</b>		
Finished Granite	1181.94	1000.38
Raw Granite	114.35	143.19
Apparel	753.71	652.98
<b>Total</b>	2050.00	1796.55
<b>2.20 Employee Benefit Expenses</b>		
Salaries, Wages, Bonus & Allowances	1496.54	1443.45
Contribution to Provident Fund and Other Fund	109.69	102.72
Retirement Benefits	61.49	64.91
Staff Welfare Expenses	147.70	135.48
<b>Total</b>	1815.42	1746.56

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.21 Other Expenses</b>		
Consumption of Stores & Spares	1670.28	1752.56
Other processing & Job work expenses	174.93	222.51
Power and Fuel	1366.29	1258.68
Repairs and Maintenance:-		
- Plant and Machinery	77.07	81.03
- Building	6.39	28.63
- Others	21.23	18.94
Cutter and Driller Charges	282.79	229.56
Royalty on Quarry Land	23.37	15.65
Rent	395.85	360.95
Rates and Taxes	31.47	28.76
Insurance	72.75	102.72
Communication Charges	34.81	35.47
Printing & Stationery	18.94	21.59
Travelling & Conveyance Expenses	151.61	136.30
Electricity Charges	48.72	42.10
Vehicle Maintenance	72.62	80.78
Auditors Remuneration	5.41	5.36
Advertisement	2.61	5.16
Legal and Professional Charges	37.71	37.75
Directors Sitting Fees	1.06	0.46
Donations	2.72	4.72
Fees & Subscriptions	11.36	10.18
Government Royalty and Dead Rent	479.97	358.05
Carriage Outwards	767.05	814.70
Sales Commission	40.00	40.46
Discounts and Claims	104.32	113.77
Business Promotion Expenses	213.59	264.89
Packing Material	275.77	289.84
Bad Debts Written off	-	189.53
Provision for Doubtful Debts	49.81	(189.53)
Excise Duty-Others	(6.76)	21.60
Sales Tax	97.01	73.52
Bank Charges	55.27	47.24
Impairment / Loss on sale of assets	30.87	42.89
Miscellaneous Expenses	36.37	55.03
<b>Total</b>	<b>6653.26</b>	<b>6601.85</b>

**Auditors Remuneration**

Particulars		
For Statutory Audit	3.50	3.50
For Tax Audit	0.75	0.75
For certification	0.75	0.75
Out of Pocket expenses	0.21	0.16
Service Tax	0.20	0.20

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.22 Depreciation &amp; Amortization</b>		
Depreciation on tangible assets	818.40	827.85
Amortization on intangible assets	38.28	38.28
<b>Total</b>	<b>856.68</b>	<b>866.13</b>

**2.23 Finance Costs**

**Interest on Borrowings:**

– Banks	740.55	758.61
– Others	213.29	105.44
Charges / Gain on variable coupon and restatement of FCCBs	1599.18	402.32
Recoveries of interest on debentures	(1599.18)	(402.32)
<b>Total</b>	<b>953.84</b>	<b>864.05</b>

- a. Recoveries of interest on debentures includes charges computed towards premium payable and exchange gain / loss on FCCBs in terms of Scheme of Arrangement sanctioned by Hon'ble Andhra Pradesh High Court.

**2.24 1. Contingent Liabilities not provided for**

Particulars		
a) Bank Guarantees	34.10	58.87
b) Letter of Credits outstanding	280.63	201.76
c) Premium payable on FCCBs issued	-	472.94
Claims against the company not acknowledged as debts:		
d) Direct & Indirect Taxes disputed (Amount Deposited ₹.11.46 Lacs (previous year ₹. 11.46 lacs )	184.68	109.80
e) Other Matters disputed	326.29	318.83
<b>2. Capital Commitments</b>		
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	129.53	580.00

**2.25 Financial and Derivative Instruments**

Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March 2012 amounts to ₹. 10588.60 Lacs (Previous Year ₹.9034.64 Lacs)

**2.26 Deferred Tax**

Particulars		
<b>Deferred Tax Liability</b>		
Others	73.51	16.89
<b>Total</b>	<b>73.51</b>	<b>16.89</b>
<b>Deferred Tax Asset</b>		
Provision for Debtors	16.16	(10.04)
Depreciation	64.14	84.72
<b>Total</b>	<b>80.30</b>	<b>74.68</b>
<b>Net Deferred Tax Liability</b>	<b>(6.79)</b>	<b>(57.79)</b>

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.27 Related Party Transactions**

- a) Enterprises where control exists:  
Pokarna Engineered Stone Limited – 100% subsidiary
- b) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Marketing Limited
- c) Names of the Associate Firms:  
Southend, Southend Extension
- d) Names of Key Management Personnel  
Gautam Chand Jain, Rahul Jain, Siddharth Jain
- e) Names of Relatives  
Prakash Chand Jain, Ashok Chand Jain, Raaj Kumar Jain
- f) Disclosure of transactions between the company and related parties and the status of  
Outstanding balances for the year **2011-12** (2010-11)

<b>Nature of the Transaction</b>	<b>Subsidiary</b>	<b>Associates</b>	<b>Key Management Personnel</b>	<b>Relatives</b>	<b>Total</b>
Purchase of Goods	-	<b>24.39</b>	-	-	<b>24.39</b>
	-	(14.30)	-	-	(14.30)
Sale of Goods	<b>2.03</b>	<b>670.73</b>	-	-	<b>672.76</b>
	(5.93)	(276.61)	-	-	(282.54)
Sale of Assets	-	-	-	-	-
	(5.63)	-	-	-	(5.63)
Rents paid	-	<b>30.46</b>	-	-	<b>30.46</b>
	-	(20.00)	-	-	(20.00)
Remuneration paid to Directors	-	-	<b>40.99</b>	-	<b>40.99</b>
	-	-	(48.00)	-	(48.00)
Interest paid	-	<b>93.76</b>	-	-	<b>93.76</b>
	-	(78.35)	-	-	(78.35)
Interest on Debentures Recd	<b>819.78</b>	-	-	-	<b>819.78</b>
	(461.12)	-	-	-	(461.12)
Recoveries / Charges on variable coupon and restatement of FCCBs	<b>779.40</b>	-	-	-	<b>779.40</b>
	(402.32)	-	-	-	(402.32)
Loans Received	-	<b>10.00</b>	<b>220.00</b>	-	<b>230.00</b>
	-	(218.00)	(197.00)	-	(415.00)
Loans & Advances given	<b>72.11</b>	-	-	-	<b>72.11</b>
	(306.00)	-	-	-	(306.00)
Balances as at 31/03/2012 – Receivable	<b>3496.20</b>	<b>259.40</b>	-	<b>12.61</b>	<b>3768.21</b>
	(1823.13)	(149.00)	-	<b>(13.00)</b>	(1985.13)
Balances as at 31/03/2012 – Payables	-	<b>1733.50</b>	<b>689.00</b>	-	<b>2422.50</b>
	-	(1648.00)	(469.00)	-	(2117.00)
Investments as on 31/03/2012	<b>6115.88</b>	-	-	-	<b>6115.88</b>
	(6115.88)	-	-	-	(6115.88)

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.28 Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act,2006**

<b>Particulars</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
a) Principal amount remaining unpaid and interest due thereon	Nil	Nil
b) Interest paid in term of Section 16	Nil	Nil
c) Interest due and payable for the period of delay in payment	Nil	Nil
d) Interest accrued and remaining unpaid	Nil	Nil
e) Interest due and payable even in succeeding years	Nil	Nil

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

**2.29 Earnings Per Share (EPS)**

The numerators and denominators used to calculate Basic and Diluted Earnings per share

<b>Particulars</b>		
<b>Basic Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	101.20	128.44
Denominator for Basic earnings per share:		
Basic / Weighted Average number of shares	6200800	6200800
Basic Earnings Per Share (in ₹.)	1.63	2.07
<b>Diluted Earnings Per Share</b>		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	101.20	128.44
Denominator for Diluted earnings per share:		
Weighted Average number of shares	6200800	6200800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. Of Shares)	-	2236523
Adjusted weighted average number of shares	6200800	8437323
Diluted Earnings Per Share (in ₹.)	1.63	1.52

**2.30** In accordance with AS-17 "Segment Reporting", segment information has been given in the consolidated financial statements of **Pokarna Limited** and therefore no separate disclosure on segment information is given in these financial statements.

**2.31 Employee Benefits:**

<b>Particulars</b>		
<b>Defined Contribution Plan</b>		
Employer's contribution to Provident Fund	84.23	79.20

**Defined Benefit Plan**

The employees' gratuity fund scheme managed by a Trust ( Life Insurance Corporation of India for Granite Division of the company) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Compensated Absence is recognized in the same manner as gratuity.

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

Particulars	Gratuity (Funded)		Compensated Absence (Unfunded)	
	Year Ended 31.03.2012	Year Ended 31.03.2011	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation</b>				
Projected Benefit Obligation				
at Beginning of year	165.63	127.06	13.45	8.06
Current service cost	34.46	33.83	23.20	19.56
Past Service Cost	-	6.20	-	-
Interest cost	12.84	9.39	0.91	0.49
Actuarial(Gain)/Loss	(8.98)	8.69	(15.64)	(10.90)
Benefits paid	(16.98)	(19.54)	(4.54)	(3.76)
Projected Benefit Obligation at year end	186.97	165.63	17.38	13.45
<b>b) Reconciliation of opening and closing balances of Fair Value of plan assets</b>				
Fair value of Plan asset at beginning of year	59.12	39.14	-	-
Expected return on Plan Assets	8.98	3.36	-	-
Actuarial(Gain)/Loss	(1.20)	(1.01)	-	-
Employer Contribution	95.06	37.17	4.54	3.76
Benefits Paid	(16.98)	(19.54)	(4.54)	(3.76)
Fair value of Plan asset at year end	144.98	59.12	-	-
<b>c) Reconciliation of fair value of assets and Obligation</b>				
Fair value of Plan assets	144.98	59.12	-	-
Present value of Projected Benefit obligation	186.97	165.63	17.38	13.45
Amount recognized in Balance Sheet	(41.99)	(106.51)	(17.38)	(13.45)
<b>d) Expenses recognized during the year Under the head "Personnel Costs".</b>				
Current service cost	34.46	33.83	23.20	19.56
Interest cost	12.84	9.39	0.91	0.49
Past Service Cost	-	6.21	-	-
Expected return on Plan Assets	(8.98)	(3.36)	-	-
Actuarial(Gain)/Loss	(7.78)	9.70	(15.64)	(10.90)
Income(-)/Expenses(+) recognized in the statement of Profit & Loss	30.54	55.77	8.47	9.15
Short-term Compensated Absence Liability	-	-	27.36	-
<b>e) Actuarial Assumptions</b>				
	1994-96	1994-96	1994-96	1994-96
Mortality Table (L.I.C)	(Ultimate)	(Ultimate)	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.57%	8.17%	8.57%	8.17%
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%
Attrition Rate	10.00%	10.00%	10.00%	10.00%
Expected return on Plan assets – LIC	8.00%	8.00%	-	-
<b>f) The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.</b>				
<b>g) The company expects to contribute ₹.20.00 Lacs to its Gratuity plan for the next year.</b>				

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.32 Central Excise Duty**

Central excise duty expenses, as disclosed in Schedule 2.21 of the Statement of Profit and Loss includes -

<b>Particulars</b>	<b>31.03.2012</b>	31.03.2011
i) Difference between excise duty on closing stock of Finished Goods ₹. 65.16 Lacs and excise duty on opening stock of Finished Goods ₹. 71.92 Lacs (previous year excise duty on closing stock of Finished Goods, ₹.71.92 Lacs and excise duty on opening stock of Finished Goods ₹.53.07 Lacs)	<b>(6.76)</b>	18.85
ii) Excise duty on stock transfer	-	2.75
<b>Total</b>	<b>(6.76)</b>	21.60

**2.33 Leases:**

The company has operating leases for Office premises and retail outlets, that are

- (a) Renewable on a periodic basis and are cancellable by giving a notice period ranging from 1 month to 6 months and
- (b) Are non-cancellable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

<b>Particulars</b>	<b>31.03.2012</b>	31.03.2011
Rent expenses included in Profit and Loss Account towards operating leases	<b>395.85</b>	360.95

Minimum Lease obligation under non-cancellable lease contracts amounts to:

<b>Particulars</b>	<b>31.03.2012</b>	31.03.2011
Within 1 year	<b>344.67</b>	363.28
After 1 year but before 5 years	<b>1338.65</b>	581.30
After 5 years	-	-
<b>Total</b>	<b>1683.32</b>	944.58

**2.34 General**

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

**2.35 Provisions**

<b>Particulars</b>	<b>Carrying amount as at April 1, 2011</b>	<b>Additional Provisional made during the year</b>	<b>Amount written off during the year</b>	<b>Amount reversed during the year</b>	<b>Unused as at March 31, 2012</b>
Provision for Doubtful Debts	17.45	49.81	-	-	67.26

**POKARNA LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**2.36 a) Details of imported and indigenous raw materials, consumables, stores & spares consumed during the year:**

Class of Goods		31.03.2012		31.03.2011	
		Value	%	Value	%
Raw Material	Imported	522.01	11.71	449.35	10.18
	Indigenous*	3936.10	88.29	3965.37	89.82
	Total	4458.11	100.00	4414.72	100.00
Consumables, Stores & Spares	Imported	944.40	53.65	1087.24	60.16
	Indigenous	815.92	46.35	720.00	39.84
	Total	1760.32	100.00	1807.24	100.00

\* Including inter unit transfer of 5235 CBM of ₹. 779.63 Lacs (previous year 4301 CBM of ₹.973.00 Lacs)

**b) CIF value of imports:**

Particulars	31.03.2012	31.03.2011
Raw Material	259.31	609.91
Consumables, Stores & Spares	861.66	1103.17
Capital items	1.19	-
<b>c) Earnings in foreign currency</b>		
Income from sales/ Job work (FOB)	8133.74	8361.87
<b>d) Expenditure in foreign currency</b>		
Travel & Conveyance	61.11	88.00
Business Promotion	64.96	121.00
Professional & Consultancy	2.71	2.00
Sales Commission	2.67	2.00
Interest	-	3.00

**2.37** The Ministry of Corporate Affairs, Government of India, vide General Circular No.2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

As per our report attached

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamji Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**



**AUDITORS' REPORT**

To

The Board of Directors,  
Pokarna Limited

1. We have audited the attached Consolidated Balance Sheet of Pokarna Limited, its subsidiary (collectively referred to as "the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss for the year ended on that date and the Consolidated Cash-Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components, our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard 21- Consolidated Financial Statements and Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements, notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
4. Based on our audit as aforesaid and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31,2012;
  - b. in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
  - c. in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

**For S.Daga & Co.,**  
Chartered Accountants,  
(F.No.000669S)

**Shantilal Daga**  
M.No.11617  
Partner

Place: Hyderabad  
Date: 11.08.2012

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**BALANCE SHEET**

Rupees in Lacs

	Notes	As at 31.03.2012	As at 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2.1	620.08	620.08
Reserves & Surplus	2.2	1597.73	4691.38
		<b>2217.81</b>	5311.46
<b>Non-Current Liabilities</b>			
Long-term Borrowings	2.3	18496.06	15872.42
Deferred Tax Liabilities	2.4	569.66	576.45
Other Long-term Liabilities	2.5	1051.10	662.00
Long-term Provisions	2.6	56.85	100.11
		<b>20173.67</b>	17210.98
<b>Current Liabilities</b>			
Short-term Borrowings	2.3	5229.05	4369.54
Trade Payables	2.7	2410.18	2866.75
Other Current Liabilities	2.5	9321.25	11495.80
Short-term Provisions	2.6	2828.73	1962.33
		<b>19789.21</b>	20694.42
<b>Total</b>		<b>42180.69</b>	43216.86
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets			
Tangible Assets	2.8	29374.22	30686.87
Intangible Assets	2.8	114.84	153.12
Capital Work-In-Progress		378.62	575.41
Long-term Loans and Advances	2.9	672.74	702.19
Other Non-current Assets	2.10	86.49	371.86
		<b>30626.91</b>	32489.45
<b>Current Assets</b>			
Inventories	2.11	6430.50	5827.26
Trade Receivables	2.12	3784.62	3832.98
Cash and Bank Balances	2.13	715.69	321.78
Short-term Loans and Advances	2.9	575.50	682.87
Other Current Assets	2.10	47.47	15.20
		<b>11553.78</b>	10680.09
Miscellaneous Expenditure (To the extent not written off or adjusted)	2.14	-	47.32
<b>Total</b>		<b>42180.69</b>	43216.86
Significant Accounting Policies	1		
Notes on Financial Statements	2		
The accompanying notes are an integral part of financial statements			

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants  
(FNo. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF PROFIT & LOSS**

Rupees in Lacs

	Notes	For The Year Ended 31.03.2012	For The Year Ended 31.03.2011
<b>INCOME</b>			
Revenue from Operations (gross)	2.15	18532.44	16972.19
Less :Excise Duty		455.77	290.36
Revenue from Operations (net)		18076.67	16681.83
Other Income	2.16	356.34	160.38
<b>Total</b>		<b>18433.01</b>	<b>16842.21</b>
<b>EXPENSES</b>			
Cost of Raw Material and Components consumed	2.17	5462.93	5145.92
Purchase of Traded Goods	2.18	331.67	530.92
(Increase) / Decrease in Inventories of Finished Goods, Work-in-Progress and Traded Goods	2.19	(890.23)	(1190.34)
Employee Benefits Expense	2.20	2148.08	1970.89
Other Expenses	2.21	8240.78	7689.13
<b>Total</b>		<b>15293.23</b>	<b>14146.52</b>
Earnings before Interest, Tax, Depreciation and Amortization		3139.78	2695.69
Depreciation and Amortization	2.22	1858.49	1846.66
Finance Costs	2.23	4326.14	3025.42
<b>Profit Before Tax</b>		<b>(3044.85)</b>	<b>(2176.39)</b>
<b>Tax Expenses</b>			
Current Tax		50.58	20.96
Deferred Tax		(6.79)	(57.79)
Prior year tax		5.01	13.55
<b>Total Tax Expenses</b>		<b>48.80</b>	<b>(23.28)</b>
<b>Profit After Tax</b>		<b>(3093.65)</b>	<b>(2153.11)</b>
Earnings Per Share - Basic & Diluted (In ₹.) (Par value of ₹.10/- each)		(49.89)	(34.72)
Significant Accounting Policies	1		
Notes on Financial Statements	2		

The accompanying notes are an integral part of financial statements

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamshi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**CASH FLOW STATEMENT**

Rupees in Lacs

	<b>For The Year Ended 31.03.2012</b>	For The Year Ended 31.03.2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>(3044.85)</b>	(2176.39)
Adjustments:		
Depreciation and amortization expense	<b>1905.81</b>	1893.98
Loss/(profit) on sale of fixed assets	<b>30.88</b>	42.90
Unrealized foreign exchange (gain) / loss, net	<b>700.47</b>	(52.16)
Provision for Doubtful Debts	<b>49.81</b>	(189.53)
Interest expense	<b>4326.14</b>	3025.42
Interest income	<b>(44.82)</b>	(44.06)
<b>Operating profit before working capital changes</b>	<b>3923.44</b>	2500.16
Changes in working capital and other provisions:		
Trade receivables	<b>60.40</b>	(333.47)
Inventories	<b>(603.24)</b>	(1633.70)
Loans and advances and other assets	<b>177.43</b>	146.15
Other Liabilities and provisions	<b>766.35</b>	921.63
<b>Cash generated from operations</b>	<b>4324.38</b>	1600.77
Income taxes paid, net	<b>(3.55)</b>	(16.35)
<b>Net cash provided by operating activities</b>	<b>4320.83</b>	1584.42
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and changes in capital work in progress	<b>(360.49)</b>	(582.39)
Proceeds from sale of fixed assets	<b>18.84</b>	9.68
Interest income	<b>44.82</b>	44.06
<b>Net cash used in investing activities</b>	<b>(296.83)</b>	(528.65)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank Borrowings	<b>(2210.84)</b>	(1782.77)
Other Borrowings	<b>2700.05</b>	3110.54
Interest expense	<b>(4326.14)</b>	(3025.42)
<b>Net cash generated from financing activities</b>	<b>(3836.93)</b>	(1697.65)
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>187.07</b>	(641.88)
Add: Cash and Cash equivalents at the beginning of the year	<b>277.15</b>	904.20
Effect of exchange gain on cash and cash equivalents	<b>11.86</b>	14.83
<b>Cash and cash equivalents at the end of the year</b>	<b>476.08</b>	277.15

Significant Accounting Policies 1

Notes on Financial Statements 2

The accompanying notes are an integral part of financial statements

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants  
(E.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

**A. Basis of Preparation of Financial Statements**

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the Parent Company i.e., year ended 31st March.

The financial statements are prepared under the historical cost convention on accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956.

**Principles of Consolidation**

The financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and the unrealized profits.

The financial statements of the Parent Company and its subsidiaries have been consolidated using uniform accounting policies.

**B. Other Significant Accounting Policies**

These are set out under “Significant Accounting Policies” as given in the Company’s separate financial statements.

**2. Notes to Financial Statements**

**A.** The Consolidated Financial Statements present the consolidated Accounts of Pokarna Limited with its wholly owned Indian subsidiary Pokarna Engineered Stone Limited.

**B.** Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

Rupees in Lacs

	31.03.2012	31.03.2011
<b>2.1 Share Capital</b>		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares		
of ₹.10/- each	2000.00	2000.00
Issued, Subscribed and fully paid-up:		
62,00,800 (62,00,800) Equity Shares		
of ₹.10/- each	620.08	620.08
<b>Total</b>	<b>620.08</b>	<b>620.08</b>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

	No. of Shares	No. of shares
Equity Shares		
At the beginning of the period	6200800	6200800
Issued during the period	-	-
Outstanding at the end of the period	6200800	6200800

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.2 Reserves and Surplus</b>		
<b>Capital Subsidy</b>	15.00	15.00
<b>Share Premium</b>	73.96	73.96
<b>General Reserve</b>		
Balance at the Beginning of the Year	943.76	943.76
<b>Add:</b> Transfer from Profit & Loss A/c	-	-
	<u>943.76</u>	<u>943.76</u>
<b>FCCBs Redemption Reserve</b>		
Opening Balance	4295.21	3258.99
<b>Add:</b> Transferred from Profit & Loss A/c	1843.57	1036.22
	<u>6138.78</u>	<u>4295.21</u>
<b>Profit &amp; Loss Account</b>		
Opening Balance	(636.55)	2552.78
<b>Add:</b> Profit for the year	(3093.65)	(2153.11)
	<u>(3730.20)</u>	<u>399.67</u>
<b>Less:</b> Trd. to FCCBs Redemption reserve	1843.57	1036.22
	<u>(5573.77)</u>	<u>(636.55)</u>
<b>Total</b>	<u>1597.73</u>	<u>4691.38</u>

**2.3 Borrowings:**

**A. Long-term Borrowings**

	Non-current portion		Current maturities	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
<b>Secured</b>				
<b>Term Loans</b>				
Indian Rupee Loans from Banks	11134.50	9327.48	1409.69	4301.07
<b>Hire Purchase Loans</b>				
Banks	39.70	31.11	32.26	24.99
Others	6.14	29.79	32.79	142.62
<b>Unsecured</b>				
<b>Loans &amp; Advances from Related Parties</b>				
Loans from Directors	3095.82	2689.14	-	-
Inter Corporate Deposits	4219.90	3794.90	-	-
	<u>18496.06</u>	<u>15872.42</u>	<u>1474.74</u>	<u>4468.68</u>
Amount disclosed under the head "Other Current Liabilities" (Note.2.5(B))			(1474.74)	(4468.68)
<b>Total</b>	<u>18496.06</u>	<u>15872.42</u>	<u>-</u>	<u>-</u>

**B. Short term Borrowings**

<b>Secured</b>		
From Banks		
- Working Capital Loan		3227.20
<b>Unsecured</b>		
From Others - Inter Corporate Deposit		2001.85
<b>Total</b>		<u>5229.05</u>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.4 Deferred Tax Liabilities (Net)</b>		
<b>Deferred Tax Liabilities</b>		
Depreciation	591.48	655.62
	<u>591.48</u>	<u>655.62</u>
<b>Deferred Tax Asset</b>		
Others	-	73.51
Provision for Doubtful Debts	21.82	5.66
	<u>21.82</u>	<u>79.17</u>
<b>Total</b>	<u>569.66</u>	<u>576.45</u>
<b>2.5 Other Liabilities:</b>		
<b>A. Other Long-Term Liabilities</b>		
Security Deposits	62.70	69.63
Interest accrued but not due on borrowings	988.40	592.37
<b>Total</b>	<u>1051.10</u>	<u>662.00</u>
<b>B. Other Current Liabilities</b>		
Advance from Customers	172.81	273.62
Creditors for Capital Expenditure	484.86	353.48
Zero Coupon Foreign Currency Convertible Bonds	6138.78	5358.00
Current Maturities of Long Term Borrowings (refer note.2.3(A))	1474.74	4468.68
Interest accrued and due on borrowings	325.20	456.77
Statutory Liabilities	138.50	172.61
Unpaid Dividend	8.46	14.63
Other Liabilities	577.90	398.01
<b>Total</b>	<u>9321.25</u>	<u>11495.80</u>
<b>2.6 Provisions:</b>		
<b>A. Long-term Provisions</b>		
<b>Provision for Employee Benefits</b>		
Provision for Gratuity	39.96	83.88
Provision for Leave Benefit	16.89	16.23
<b>Total</b>	<u>56.85</u>	<u>100.11</u>
<b>B. Short-term Provisions</b>		
Provision for Gratuity	10.56	30.00
Provision for Leave Benefit	36.45	-
Provision for Premium payable on FCCBs	2731.14	1911.37
Provision for Tax	50.58	20.96
<b>Total</b>	<u>2828.73</u>	<u>1962.33</u>
<b>2.7 Trade Payables</b>		
Trade Payables	2410.18	2866.75
<b>Total</b>	<u>2410.18</u>	<u>2866.75</u>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**Notes - 2.8**

**Fixed Assets**

Description	Rupees in Lacs.									
	Gross Block					Depreciation			Net Block	
	As on	Additions	Deletions	As on	Upto	For the Period	Adjustments	As on	As on	As on
01.04.2011			31.03.2012	31.03.2011			31.03.2012	31.03.2012	31.03.2012	31.03.2011
<b>Tangible Assets:</b>										
Land - Freehold	479.34	0.57	-	479.91	-	-	-	-	479.91	479.34
Land - Leasehold	1186.55	-	-	1186.55	132.21	35.96	-	168.17	1018.38	1054.34
Buildings	645.34	112.18	-	757.52	17.96	10.76	-	28.72	728.80	627.38
Factory & Quarry Buildings	5915.54	136.20	-	6051.74	672.77	198.32	-	871.09	5180.65	5242.77
Plant & Machinery	27740.20	201.79	11.63	27930.36	5625.80	1429.67	5.66	7049.81	20880.54	22114.40
Vehicles	664.80	64.48	55.97	673.31	311.62	67.24	31.14	347.72	325.58	353.18
Furniture & Fixtures	865.52	20.95	35.07	851.40	205.11	60.05	16.37	248.79	602.62	660.41
Office Equipment	265.72	21.11	2.49	284.34	110.67	18.21	2.27	126.61	157.74	155.05
<b>Total -(A)</b>	<b>37763.01</b>	<b>557.28</b>	<b>105.16</b>	<b>38215.13</b>	<b>7076.14</b>	<b>1820.21</b>	<b>55.44</b>	<b>8840.91</b>	<b>29374.22</b>	<b>30686.87</b>
<b>Intangible Assets:</b>										
Trade Marks & Brand Names	382.80	-	-	382.80	229.68	38.28	-	267.96	114.84	153.12
<b>Total -(B)</b>	<b>382.80</b>	<b>-</b>	<b>-</b>	<b>382.80</b>	<b>229.68</b>	<b>38.28</b>	<b>-</b>	<b>267.96</b>	<b>114.84</b>	<b>153.12</b>
<b>Total -(A+B)</b>	<b>38145.81</b>	<b>557.28</b>	<b>105.16</b>	<b>38597.93</b>	<b>7305.82</b>	<b>1858.49</b>	<b>55.44</b>	<b>9108.87</b>	<b>29489.06</b>	<b>30839.99</b>
Previous Year	37702.07	567.40	123.66	38145.81	5530.24	1846.66	71.09	7305.82	30839.99	32171.83

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.9 Loans &amp; Advances</b>		
<b>A. Long-Term Loans and Advances</b>		
Unsecured, considered good unless stated otherwise		
Capital Advances	86.90	97.96
Security Deposit	504.77	523.16
Advances recoverable in cash or kind	81.07	81.07
<b>Total</b>	<b>672.74</b>	<b>702.19</b>
<b>B. Short-Term Loans and Advances</b>		
Unsecured, considered good unless stated otherwise		
Advances recoverable in cash or kind	249.90	368.89
Cenvat Credit Receivable	66.34	59.80
Balance with Customs & Excise Authorities	-	0.12
Advance for Raw Material	126.56	114.00
Advance Income Tax	31.37	53.79
Prepaid Expenses	99.83	81.12
Loans to Employees	1.50	5.15
<b>Total</b>	<b>575.50</b>	<b>682.87</b>
<b>2.10 Other Assets</b>		
<b>A. Other Non-Current Assets</b>		
Unsecured, considered good unless stated otherwise		
Non-current Bank Balances		
Deposits with maturity for more than 12 months		
Margin Money deposits	67.19	340.22
Interest accrued on fixed deposits	19.30	31.64
<b>Total</b>	<b>86.49</b>	<b>371.86</b>
<b>B. Other Current Assets</b>		
Unsecured, considered good unless stated otherwise		
Interest accrued on fixed deposits	47.47	15.20
<b>Total</b>	<b>47.47</b>	<b>15.20</b>
<b>2.11 Inventories</b>		
Raw Material	1112.70	1446.27
(includes in transit ₹.191.19 Lacs) (₹. 165.70 Lacs)		
Work-in-progress	409.10	591.82
Finished Goods	3970.36	2904.50
Traded Goods	151.56	144.47
Consumables, Stores & Spares	708.27	658.06
Packing Material	78.51	82.14
<b>Total</b>	<b>6430.50</b>	<b>5827.26</b>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

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	31.03.2012	31.03.2011
<b>2.12 Trade Receivables</b>		
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	568.05	466.84
Doubtful	67.26	17.45
	635.31	484.29
Provision for doubtful receivables	67.26	17.45
	568.05	466.84
Other receivables	3216.57	3366.14
<b>Total</b>	3784.62	3832.98

**2.13 Cash and Bank Balances**

	Non-current		Current	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
<b>Cash and Cash Equivalents</b>				
Balances with Banks			347.09	143.64
Deposits - Margin Money				
with maturity less than three months			110.02	110.86
In unpaid Dividend Account			8.46	12.03
Cash in Hand			10.51	10.62
Other Bank Balances			476.08	277.15
Deposits - Margin Money				
with maturity for more 3 months but less than 12 months			239.61	44.63
with maturity for more than 12 months	67.19	340.22		
Amount disclosed under the head "Other Current Assets" (Note.2.10(A))	(67.19)	(340.22)		
<b>Total</b>	-	-	715.69	321.78

**2.14 Miscellaneous Expenses**

(To the extent not written off or adjusted)

FCCBs Issue Expenses	47.32	94.64
Less: Amortized during the year	47.32	47.32
<b>Total</b>	-	47.32

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.15 Revenue from Operations</b>		
Sale of Products		
Finished Goods	17850.66	15934.23
Traded Goods	544.18	684.26
	<u>18394.84</u>	16618.49
Sale of Services	90.61	310.93
Other Operating Income		
Scrap Sales	46.99	42.77
Revenue from Operations (Gross)	<u>18532.44</u>	16972.19
<b>Details of Products Sold</b>		
<b>Finished Goods Sold</b>		
Finished Granite	8797.12	9000.67
Raw Granite	2259.21	2212.93
Apparel	2576.43	1452.61
Quartz Surfaces	4217.90	3268.02
	<u>17850.66</u>	15934.23
<b>Traded Goods Sold</b>		
Finished Granite	15.11	124.12
Raw Granite	9.54	29.98
Apparel	139.90	207.41
Fabric	379.63	322.75
	<u>544.18</u>	684.26
<b>Total</b>	<u>18394.84</u>	16618.49
Details of Services Rendered		
Mining Services	10.75	72.54
Job work Charges	79.86	238.39
<b>Total</b>	<u>90.61</u>	310.93
<b>2.16 Other Income</b>		
Interest income on		
Bank Deposits	34.53	31.24
Others	10.29	12.82
Commission Income	1.58	3.31
Foreign Exchange Gain	288.04	88.52
Credit / Prov. no longer required written back	-	24.49
Hire Charges Received	21.90	-
<b>Total</b>	<u>356.34</u>	160.38

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.17 Cost of Raw Material and Components consumed</b>		
Opening Stock	1500.85	1300.80
Add: Purchases	5131.49	5345.97
	6632.34	6646.77
Less: Closing Stock	1169.41	1500.85
<b>Total</b>	5462.93	5145.92
 <b>Details of Raw Material and Components consumed</b>		
Raw Granite	2565.65	2784.31
Fabric	1105.25	650.83
Quartz Surfaces, etc.,	1702.00	1655.84
Consumables	90.03	54.94
<b>Total</b>	5462.93	5145.92
 <b>Details of Inventory</b>		
Raw Granite	399.51	655.16
Fabric	434.50	509.20
Quartz, etc.,	278.69	281.91
Consumables	56.71	54.58
<b>Total</b>	1169.41	1500.85
 <b>2.18 Details of Purchase of Traded Goods</b>		
Finished Goods	12.20	98.91
Raw Granite	7.82	16.15
Apparel	79.03	175.82
Fabric	232.62	240.04
<b>Total</b>	331.67	530.92

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.19 (Increase) / Decrease in Inventories</b>		
<b>Opening Stock</b>		
Finished Goods	2761.31	2027.09
Work-in-Process	591.82	228.45
Raw Granite	143.19	117.95
Traded Goods	144.47	76.96
	<u>3640.79</u>	<u>2450.45</u>
<b>Less: Closing Stock</b>		
Finished Goods	3856.00	2761.31
Work-in-Process	409.10	591.82
Raw Granite	114.36	143.19
Traded Goods	151.56	144.47
	<u>4531.02</u>	<u>3640.79</u>
<b>Total</b>	<u>(890.23)</u>	<u>(1190.34)</u>
<b>Details of Inventory</b>		
<b>Traded Goods</b>		
Apparel	151.56	144.47
<b>Total</b>	<u>151.56</u>	<u>144.47</u>
<b>Work-In-Progress</b>		
Finished Granite	188.50	155.59
Apparel	133.62	191.85
Quartz Surfaces	86.98	244.38
<b>Total</b>	<u>409.10</u>	<u>591.82</u>
<b>Finished Goods</b>		
Finished Granite	1181.94	1000.38
Raw Granite	114.35	143.19
Apparel	753.71	652.98
Quartz Surfaces	1920.36	1107.95
<b>Total</b>	<u>3970.36</u>	<u>2904.50</u>
<b>2.20 Employee Benefit Expenses</b>		
Salaries, Wages, Bonus & Allowances	1769.86	1650.24
Contribution to Provident Fund and Other Fund	126.87	113.72
Retirement Benefits	68.48	70.38
Staff Welfare Expenses	182.87	136.55
<b>Total</b>	<u>2148.08</u>	<u>1970.89</u>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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	31.03.2012	31.03.2011
<b>2.21 Other Expenses</b>		
Consumption of Stores & Spares	2264.08	1993.13
Other processing & Job work exp.	215.38	285.74
Power and Fuel	1566.76	1470.42
Repairs and Maintenance:-		
- Plant and Machinery	100.79	97.96
- Building	6.44	33.71
- Others	21.47	19.54
Cutter and Driller Charges	282.79	229.56
Royalty on Quarry Land	35.23	27.51
Rent	412.52	371.61
Rates and Taxes	70.30	66.99
Insurance	125.87	141.81
Communication Charges	41.99	41.60
Printing & Stationery	22.50	24.17
Travelling & Conveyance Expenses	189.45	166.70
Electricity Charges	51.86	45.51
Vehicle Maintenance	97.05	103.33
Auditors Remuneration	6.41	6.96
Advertisement	2.61	5.16
Legal and Professional Charges	131.67	50.66
Directors Sitting Fees	1.21	0.46
Donations	2.72	4.72
Fees & Subscriptions	11.36	10.18
Government Royalty and Dead Rent	479.97	358.05
Carriage Outwards	839.57	880.68
Sales Commission	40.00	40.46
Discounts and Claims	120.32	114.67
Business Promotion Expenses	352.71	366.41
Packing Material	334.59	365.66
Bad Debts Written off	-	189.53
Provision for Doubtful Debts	49.81	(189.53)
Excise Duty-Others	(6.76)	21.60
Sales Tax	132.57	115.97
Bank Charges	121.33	81.71
Impairment / Loss on sale of assets	30.88	42.90
Miscellaneous Expenses	38.01	56.27
Amortization of Mis. Expenses	47.32	47.32
<b>Total</b>	<b>8240.78</b>	<b>7689.13</b>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	31.03.2012	31.03.2011
<b>2.22 Depreciation &amp; Amortization</b>		
Depreciation of tangible assets	1820.21	1808.38
Amortization on intangible assets	38.28	38.28
<b>Total</b>	<b>1858.49</b>	<b>1846.66</b>
<b>2.23 Finance Costs</b>		
Interest on Borrowings:		
- Banks	2049.77	2314.42
- Others	677.19	308.68
Charges / (Gain) on variable coupon and restatement of FCCBs	1599.18	402.32
<b>Total</b>	<b>4326.14</b>	<b>3025.42</b>
<b>2.24 Contingent Liabilities not provided for</b>		
<b>Particulars</b>		
a. Bank Guarantees	38.60	68.37
b. Letter of Credits outstanding	498.80	264.10
c. Premium payable on FCCBs issued	-	472.94
d. Bond-Cum-Legal Undertaking for Special Economic Zone Unit made in favour of President of India	6250.00	6250.00
Claims against the company not acknowledged as debts:		
e. Direct & Indirect Taxes disputed (Amount Deposited ₹.11.46 Lacs (previous year ₹.11.46 Lacs))	184.68	109.80
f. Other Matters disputed	326.29	319.07
<b>2.25 Capital Commitments</b>		
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	264.53	735.00
<b>2.26 Deferred Tax</b>		
<b>Particulars</b>		
<b>Deferred Tax Liability</b>		
Others	73.51	16.89
<b>Total</b>	<b>73.51</b>	<b>16.89</b>
Deferred Tax Asset		
Depreciation	64.14	84.72
Provision for Debtors	16.16	(10.04)
<b>Total</b>	<b>80.30</b>	<b>74.68</b>
<b>Net Deferred Tax Liability</b>	<b>(6.79)</b>	<b>(57.79)</b>

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**2.27 Related Party Transactions**

- a) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Marketing Limited
- b) Names of the Associate Firms:  
Southend, Southend Extension
- c) Names of Key Management Personnel  
Gautam Chand Jain, Rahul Jain, Siddharth Jain
- d) Names of Relatives  
Prakash Chand Jain, Ashok Chand Jain, Raaj Kumar Jain
- e) Disclosure of transactions between the company and related parties and the status of  
Outstanding balances for the year **2011-12** (2010-11)

Nature of the Transaction	Associates	Key Management Personnel	Relatives	Total
Purchase of Goods	25.65 (14.30)	- -	- -	25.65 (14.30)
Sale of Goods	670.73 (276.61)	- -	- -	670.73 (276.61)
Rents paid	30.46 (20.00)	- -	14.24 (9.36)	44.70 (29.36)
Remuneration paid to Directors	- -	40.99 (48.00)	- -	40.99 (48.00)
Interest Paid	327.48 (229.77)	- (49.93)	- -	327.48 (279.70)
Interest Received	- (1.26)	- -	- -	- (1.26)
Loans Received	350.00 (1608.58)	571.00 (2000.00)	- -	921.00 (3608.58)
Loans Repaid	- -	- (556.00)	- -	- (556.00)
Balances as at 31/03/12- Receivable	259.40 (149.00)	- -	12.61 (13.00)	272.01 (162.00)
Balances as at 31/03/12 – Payables	5088.64 (4428.16)	3222.05 (2746.08)	13.06 (18.49)	8323.75 (7192.73)

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**2.28 Earnings Per Share (EPS)**

The numerators and denominators used to calculate Basic and Diluted Earnings per share

<b>Particulars</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
Basic Earnings Per Share		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	<b>(3093.65)</b>	(2153.11)
Denominator for Basic earnings per share:		
Basic / Weighted Average number of shares	<b>6200800</b>	6200800
Basic Earnings Per Share (in ₹.)	<b>(49.89)</b>	(34.72)
Diluted Earnings Per Share		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	<b>(3093.65)</b>	(2153.11)
Denominator for Diluted earnings per share:		
Weighted Average number of shares	<b>6200800</b>	6200800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. Of Shares)	-	2236523
Adjusted weighted average number of shares	<b>6200800</b>	8437323
Diluted Earnings Per Share (in ₹.)	<b>(49.89)</b>	(34.72)

**2.29 Segment Reporting**

Disclosure of segment reporting for the year 2011-12 (2010-11):

**(a) Information about Primary Business Segments:**

<b>Description</b>	<b>Granite</b>	<b>Apparel</b>	<b>Quartz Surfaces</b>	<b>Total</b>
Sales to External Customers	<b>11050.62</b> (11411.10)	<b>2935.00</b> (2136.94)	<b>4098.65</b> (3139.71)	<b>18084.27</b> (16687.75)
Inter Segment Sales	<b>7.60</b> (5.92)	-	-	<b>7.60</b> (5.92)
<b>Total Revenue</b>	<b>11043.02</b> (11405.18)	<b>2935.00</b> (2136.94)	<b>4098.65</b> (3139.71)	<b>18076.67</b> (16681.83)
<b>Segment Results</b>				
Profit / (Loss)	<b>1357.14</b> (1288.27)	<b>(253.35)</b> (-319.06)	<b>177.50</b> (-120.18)	<b>1281.29</b> (849.03)
Interest Expenses	<b>297.03</b> (305.73)	<b>656.82</b> (558.32)	<b>3372.29</b> (2161.37)	<b>4326.14</b> (3025.42)
Income Tax				<b>48.80</b> (23.28)
Profit After Tax				<b>(3093.65)</b> (2153.11)
<b>Other Segment Information:</b>				
Capital Expenditure	<b>49.52</b> (128.59)	<b>91.04</b> (52.00)	<b>219.92</b> (396.99)	<b>360.48</b> (577.58)
Depreciation	<b>596.96</b> (602.43)	<b>259.72</b> (263.70)	<b>1001.81</b> (980.73)	<b>1858.49</b> (1846.86)
<b>Particulars of Segment Assets and Liabilities:</b>				
Segment Assets	<b>15225.75</b> (14131.65)	<b>6078.86</b> (6335.50)	<b>24372.26</b> (24525.27)	<b>45676.87</b> (44992.42)
Unallocated Assets	<b>6115.88</b> (6115.88)	-	-	<b>6115.88</b> (6115.88)
Segment Liabilities	<b>5100.99</b> (5330.06)	<b>7500.99</b> (7316.45)	<b>30824.16</b> (27829.65)	<b>43426.14</b> (40476.16)
Unallocated Liabilities	<b>6138.78</b> (5358.00)	-	-	<b>6138.78</b> (5358.00)

**POKARNA LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**(b) Information about Secondary Segments – Geographical**

Revenue attributable to location of customers is as follows

Country	31.03.2012				31.03.2011			
	Granite	Apparel	Quartz Surfaces	Total	Granite	Apparel	Quartz Surfaces	Total
U S A	4307.70	-	2814.67	7122.37	4530.39	-	2153.91	6684.30
Europe	2122.65	-	387.55	2510.20	1525.17	-	205.55	1730.72
Asia	792.09	-	-	792.09	1123.26	-	-	1123.26
India	2777.53	2935.00	781.19	6493.72	3045.77	2136.94	777.08	5959.79
Australia	29.04	-	-	29.04	15.81	-	-	15.81
Rest of the world	1021.61	-	115.24	1136.85	1170.70	-	3.17	1173.87
<b>Total</b>	<b>11050.62</b>	<b>2935.00</b>	<b>4098.65</b>	<b>18084.27</b>	<b>11411.10</b>	<b>2136.94</b>	<b>3139.71</b>	<b>16687.75</b>

The entire activity pertaining to sales outside India is carried out from India.

**Notes:**

- (i) The company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system. The operations predominantly relate to Granite, Apparel and Quartz Surfaces segments.
- (ii) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on reasonable basis.

**2.30 General**

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 11th Aug, 2012

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>Dhanji Lakhamsi Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**Financial information of Subsidiary Company:**

Name of the Subsidiary Company	Pokarna Engineered Stone Limited	
	31.03.2012	31.03.2011
Reporting currency		₹.in Lacs
1 Capital	10.00	10.00
2 Reserves	(6461.91)	(3267.06)
3 Total Assets	24372.26	24572.59
4 Total Liabilities	24372.26	24572.59
5 Investments	Nil	Nil
6 Turnover	4098.65	3139.70
7 Profit Before Taxation	(3194.79)	(2281.55)
8 Provision for Taxation	0.06	Nil
9 Profit After Taxation	(3194.85)	(2281.55)
10 Proposed Dividend	Nil	Nil



**POKARNA LIMITED**

Regd. Office: First Floor, Surya Towers, 105, Sardar Patel Road, Secunderabad-500 003



**ATTENDANCE SLIP**

Please fill attendance slip and hand it over at the entrance of the Meeting Hall

DP Id\* \_\_\_\_\_

Client Id\* \_\_\_\_\_ Master Folio No. \_\_\_\_\_

Name and Address of the Shareholder \_\_\_\_\_

No. of Share(s) \_\_\_\_\_

I hereby record my presence at the 21st Annual General Meeting of the company held on **Saturday the 15<sup>th</sup> day of September, 2012 at 10:30 A.M. at Awasa Hotels, Plot no.15, 24, 25, &26, Survey, No.64, Sector-1, Huda Techno Enclave, Madhapur, Hyderabad – 500 081.**

\_\_\_\_\_  
Signature of the Shareholder or Proxy

\* Applicable to investors holding shares in electronic form.



**POKARNA LIMITED**

Regd. Office: First Floor, Surya Towers, 105, Sardar Patel Road, Secunderabad-500 003



**PROXY FORM**

DP Id\* \_\_\_\_\_

Client Id\* \_\_\_\_\_ Master Folio No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ being Member(s) of Pokarna Limited hereby appoint \_\_\_\_\_ or

\_\_\_\_\_ or failing him/her \_\_\_\_\_ of

\_\_\_\_\_ or failing him/her \_\_\_\_\_ of

\_\_\_\_\_ as my/our Proxy to vote on my/our behalf at the 21st Annual General Meeting of the company to be held on Saturday the 15<sup>th</sup> day of September, 2012 at 10:30 A.M. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Affix  
Re. 1  
Revenue  
Stamp

\* Applicable for investors holding shares in electronic form.

Note:

1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this folio. The Company shall provide additional forms on request.





## **POKARNA LIMITED**

Registered & Corporate Office: 105, First Floor, Surya Towers, Sardar Patel Road,  
Secunderabad 500 003, Andhra Pradesh, India.  
Tel: 91-40-27842182, 27844101, 2787722, 66266777/222, Fax: 91-40-27842121  
Email: [contact@pokarna.com](mailto:contact@pokarna.com), Web: [www.pokarna.com](http://www.pokarna.com), [www.stanzaworld.com](http://www.stanzaworld.com)